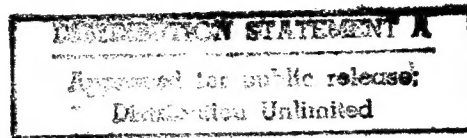


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China Report

ECONOMIC AFFAIRS

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20 March 1985

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NATIONAL POLICY AND ISSUES

PEASANTS, WORKERS BETTER OFF IN 1984

OW190913 Beijing XINHUA in English 0639 GMT 19 Feb 85

["News Feature: Chinese People Better-Off in 1984"--XINHUA headline]

[Article by Chen Ming]

[Text] Beijing, 19 Feb (XINHUA)--On the eve of the most prosperous lunar new year ever, a tanned 24-year-old peasant carried home a television and a stereo recorder from Wangfujing Street, Beijing's busiest shopping center.

Home is 200 kilometers away in Yongqing County, Hebei Province, north China.

Zhang Guangshun earned 5,000 yuan (1,773 U.S. dollars) in 1984. His income is just above average for China's 800 million peasants. Some made three or four times as much.

In Tibet, once considered the poorest and most backward region on earth, Dorje, a peasant who earned 30,000 yuan (10,638 U.S. dollars) last year from farm work and his long-distance trucking business, spends little on food and drink but gave half to build a school in his town.

Rises in workers' pay and bonuses are typified by Xu Ming of the Shanghai thermos bottle factory. Three of his family got raises last year, boosting their incomes 50 percent. He bought a color television and keeps the old black-and-white as a standby.

On the whole, Chinese living standards improved with a general rise in wages and bonuses in 1984. Many country people built two- or three-story houses and bought more clothes and household electrical appliances. Some even have telephones and pianos at home.

Observers in Beijing call this unprecedented. For city-dwellers these things are within sight but beyond reach at present. Peasants are getting the earliest and biggest benefits from the new economic policy. Workers come second.

Intellectuals' and civil servants' living standards have been somewhat improved, though still lagging behind peasants' and workers', observers said.

The government has promised to give pay raises first to primary and middle school teachers this year. The wage system will be reformed in government organizations, institutions and businesses, people will get more than in 1985.

According to the State Statistical Bureau, China's total industrial and agricultural output value in 1984 exceeded 1,000 billion yuan, 100 billion more than in 1983, and national income showed commensurate increases.

A banking official said personal savings rose to 100 billion yuan in 1984 from 89.2 billion in 1983.

A peasant woman on a train from Qinhuangdao to Shijiazhuang praised Deng Xiaoping's flexible economic policy, saying: "We now have not only grain at home but money in our pockets."

Last year was the fifth year of rural economic reform centered on a production responsibility system. Peasants have the incentive for intensive cultivation of contracted land at the same time as sideline production.

China's grain yield jumped to more than 400 million tons and cotton to 5.5 million tons in 1984, solving the major problems of food and clothing.

Since the responsibility system has given peasants more drive and boosted rural productivity, they need no longer all farm. [as received] About one-third have turned to sideline production, animal husbandry, industry, transport, trade and labor services. The shift has been a major factor in the dramatic rise in rural incomes.

In Feixi County, Anhui Province, where the responsibility system linking wages with yield was first introduced, 22-year-old Zhang Lin and her six-member family grew 58 varieties of saplings, flowers and fruit trees last year, earning 30,000 yuan from selling over 800,000 saplings.

"We now live in a new, three-story house," she says. "Bicycles, watches and tape recorders are new things at home. We used to live in a three-room thatched shed and were forbidden sideline production despite low incomes."

Living standards improved conspicuously in most rural areas in 1984, but are still low in remote and mountainous areas because of few laborers, a weak economic base and lack of communications facilities.

Last year, the state gave about 800 million yuan to help poorer peasants. Collectives and other peasants have also helped in production and livelihood.

Between 1979 and 1984, China subsidized 6.94 million low-income families, of which 3.04 million have crossed the national poverty line and are now able to expand production.

Economic reform began moving its center from the countryside to cities in 1984, and the government enlarged the decision-making power of businesses, giving them greater freedom to plan production, sell products, spend money and manage labor.

All profits used to be handed over to the state and all losses to be covered by the state. This has been changed so that businesses are taxed on production no matter how good or bad.

They also have the right to use post-tax surplus to increase wages and bonuses, thus breaking the "big rice pot," as egalitarian distribution was called.

Like most workers in China, Xu Ming in Shanghai got a wage raise last year, bringing his average monthly income to 120 yuan, excluding a big end-of-year bonus.

"Our factory is installing a new set of equipment from abroad," he says. "The profits will be larger when it goes into operation this year, and workers' incomes will also grow. I want to see the country strong and business booming. That is the only way we will get better-off quick."

His personal target this year is to buy a refrigerator. His family will then have the "four new big things": a color television, a washing machine, a stereo recorder and a refrigerator.

According to the Commercial Department, rural and urban retail turnover was 334.5 billion yuan, up 17.7 percent on 1983. There has seldom been such an increase in the past 35 years. It is expected to reach 375 billion yuan by the end of this year.

"Purchasing power is so great," says a salesman at the Wangfujing Department Store, "that the consumer market is facing the most severe challenges.

"Electric fans and refrigerators, which never sold in the winter, now sell like hot cakes. Even black-and-white televisions are short of demand, let alone color sets."

China produced 10 million color and black-and-white televisions, 530,000 refrigerators and 5.78 million washing machines and imported lots of them last year but still could not meet the overall demand.

To meet the growing needs of the one billion Chinese, the government will try hard to expand the consumer market by turning out more such items this year. It will put more gold and silver jewelry on the market and sell houses in 70 larger cities, including Beijing, Shanghai and Chongqing.

Yang Bo, vice-minister of light industry, said recently that China would expand production of, among other things, foodstuffs, household electrical appliances, clothes, paper, cosmetics and ornaments. He expected a 10 percent increase in light industry.

Analysts in Beijing think 1985 will witness a big development in China's national economy and a further rise in living standards.

PROVINCIAL AFFAIRS

HEBEI RIBAO CARRIES 1984 PROVINCIAL STATISTICS

HK011405 Shijiazhuang HEBEI RIBAO in Chinese 9 Feb 85 p 2

[Report by the Hebei Provincial Statistics Bureau issued on 3 February 1985: "Results of Carrying Out the 1984 National Economic and Social Development Plan"]

[Text] Under the leadership of the provincial CPC Committee and the provincial government, the people of Hebei Province further implemented the policy of invigorating the domestic economy and opening to the outside world and the slogan raised by the provincial CPC Committee of "arouse ourselves and rejuvenate Hebei" and speeded up reform of the structure of the entire national economy with focus on the urban economy, thus achieving marked successes in the various fields of national economy and social development in 1984. According to preliminary statistics, the annual gross social product was 59.99 billion yuan (expressed in existing prices, as are figures below), fulfilling 110.3 percent of the annual plan (Note: The gross social product refers to the grand total of the gross value of industrial, agricultural, building, transportation, post and telecommunications, and commercial output (including the total output value of the material supply and marketing sector and the public catering industry) and the national income is the sum of the net output value of the aforesaid five material-producing departments. All figures listed in this "communique" of the gross social product, the total industrial and agricultural output value, the total agricultural output value, the total industrial output value, and the national income are calculated according to the existing prices of the year and the increased growth rates over 1983 are measured in terms of comparable prices.); if measured in terms of comparable prices (as below), it increased by 14.9 percent over the previous year. The total industrial and agricultural output value reached 48.63 billion yuan, fulfilling 112.1 percent of the annual plan or an increase of 16.1 percent over the previous year. The national income totaled 27.85 billion yuan, fulfilling 110.4 percent of the annual plan or 14.4 percent more than last year. The average per-capita national income increased by 68 yuan over 1983. The 1985 targets stipulated in the "sixth 5-year" plan for the gross social product, the total industrial and agricultural output value, the total industrial output value, the total agricultural output value, and the national income and for the output of 41 manufactured goods and farm products, including grain,

cotton, oil-bearing crops, dried and fresh fruit, large domestic animals in stock, aquatic products, raw coal, crude oil, rolled steel, small-capacity tractors, motor vehicles, cement, and plate glass were fulfilled or overfulfilled 1 year ahead of schedule. Compared with 1980, about two-fifths of counties throughout the province doubled their total industrial and agricultural output value, approximately half of the number of counties doubled their total agricultural output value (including the output value of industries run by units at or below the village level, which is called the "old items" for short), and about one-sixth of counties doubled their total industrial output value (not including the output value of industries run by units at or below the village level). The main characteristic of these counties was that they reaped a bumper harvest in cotton and developed rural industries rapidly. With developed production, brisk business in both rural and urban markets, and further expanded economic and technological exchanges with foreign countries, there was a continued improvement in the people's livelihood and a new expansion in the building of spiritual civilization. At present the main problems existing in the development of the national economy are that the structure of production is incongruous with that of consumption and this incongruity has resulted in the overstocking of some manufactured goods such as pure cotton textiles, pottery and porcelain, farm chemicals, and chemical pharmaceuticals; there is a relatively high rise in retail prices, particularly the prices of nonstaple foods, such as fresh vegetables and fruit; and the economic results of the production, construction, and circulation sectors are still not satisfactory.

I. Agriculture and the Rural Economy

In 1984, thanks to the in-depth development of overall rural reforms, the constant improvement of agricultural production responsibility system, and the emergence of large groups of various kinds of specialized households and economic combinations, coupled with the improvement of agricultural production conditions and the popularization and application of agricultural science and technology, the rural economy continued to develop vigorously and industrial set-ups in the rural areas changed remarkably.

In 1984 another bumper harvest was reaped in agricultural production which had increased by a big margin for 2 years in succession. The province's total agricultural output value (including the output value of industries run by units at or below the village level) amounted to 19.47 billion yuan, up 17.7 percent over the previous year and the total agricultural output value with the output value of industries run by units at or below the village level deducted (called the "new items" for short) was 15.13 billion yuan, up 8.5 percent over 1983. Of this, the output value of the crop planting industry was 12.167 billion yuan, up 7.9 percent over the previous year; that of forestry, 507 million yuan, up 20.4 percent; that of animal husbandry, 2.056 billion yuan, up 15.3 percent; and that of fishery, 94 million yuan, up 13.8 percent.

In 1984, due to a reduction of 3,709,000 mu in the acreage under grain crops and an increase of 3,252,000 mu and 752,000 mu respectively in the area sown with cotton and oil-bearing crops, the province's total grain output

amounted to 37.4 billion jin, fulfilling 102.5 percent of the annual plan or a fall of 1.6 percent compared with the previous year but it still represented the second bumper harvest year in the province's history. The total output of cotton topped 2 billion jin, fulfilling 181.8 percent of the annual plan or up 33.3 percent over 1983; that of oil-bearing crops was 1.2 billion jin, fulfilling 114.3 percent of the annual plan or up 25.4 percent. The output of both cotton and oil-bearing crops hit an all-time high. The output of some major farm products was as follows:

	<u>1984</u>	<u>Percentage increase over 1983</u>
Peanuts	796 million jin	10.7
Dried/fresh fruit	2,650 million jin	4.9
Sugar beets	249 million jin	51.8
Flue-cured tobacco	6.8 million jin	8.3
Jute, ambary hemp	21.64 million jin	31.1

In 1984, the province's afforested area totaled 6,314,000 mu, fulfilling 180.4 percent of the annual plan or an increase of 48.4 percent over the previous year. The forest cover rate was 13.36 percent. The quality of afforestation increased considerably and the construction of forest belts in the cultivated land, the facilitation of afforestation by closing hillsides, and the greening work in cities and towns were done better as compared with the previous years.

Animal husbandry continued to develop. Compared with the previous year, with the exception of a reduction of 11.6 percent in the number of sheep in stock at the end of the year, there was a fairly big increase in the output of major animal husbandry products. Increases in the output of major animal husbandry products and in the number of livestock were as follows:

	<u>1984</u>	<u>Percentage increase over 1983</u>
Pork, beef and mutton	1,278 million jin	24.9
Cow's and goat's milk	179 million jin	37.7
Eggs	450 million jin	36.4
Hogs slaughtered	8,238,000 head	15.0
Large domestic livestock at year-end	4,098,000 head	9.7
Pigs at year-end	12,148,000 head	3.3
Sheep and goats at year-end	7,222,000 head	-11.6

There was a considerable expansion in fishery. The output of aquatic products in 1984 totaled 103,000 tons, fulfilling 114.3 percent of the annual plan or an increase of 12.3 percent over 1983. The output of marine products reached 88,000 tons, up 9.2 percent over the previous year while the total catch of freshwater products amounted to 14,800 tons, up 35.8 percent.

Thanks to the further implementation of the readjustment principle, rural industries developed rapidly and a remarkable change began to take place in the rural economic structure. According to preliminary calculations, the gross social product of the rural economy was 25.12 billion yuan, 17.6 percent higher than the previous year. The total agricultural output value rose by 8.5 percent over 1983, calculated in terms of new items and its proportion in the rural gross social product declined from 64.9 percent last year to 60.2 percent. The total output value of rural industries (referring to industries run by townships or towns or by units below the township or town level) amounted to 6.48 billion yuan, up 52.6 percent on the previous year and its proportion in the rural social product increased from 20 percent last year to 25.8 percent. The output of the rural building industry, transportation, post and telecommunications, and commerce rose by 4.5 percent, 15.6 percent, and 14.2 percent respectively. However, their proportion in the rural gross social product only constituted 14 percent.

Under the guidance of the spirit of the Document No 1 of the CPC Central Committee, the province further mobilized the enthusiasm of the broad masses of peasants for investment in production, thus fairly greatly raising the level of equipment for agricultural production in 1984. Throughout the year the peasants bought capital goods for use in agricultural production totaling 3.48 billion yuan, 17.5 percent more than the previous year. Total power capacity of farm machines reached 25,108,000 horsepower by the end of 1983 or 17 percent higher than the previous year. The province had 47,000 large and medium-sized tractors, up 2.2 percent over 1983; 231,000 small-capacity and hand-guided tractors, up 38.8 percent; 27,000 lorries for farm use, up 69 percent; and power-driven drainage and irrigation equipment totaling 13,561,000 horsepower, up 7.6 percent. A total of 1,136,000 tons of chemical fertilizers (in terms of 100 percent efficiency) was applied during the year, 11.6 percent higher than in 1983. Total electricity used in the rural areas came to 4.07 billion kilowatt-hours, 1.9 percent less than in the previous year. The management of water conservancy projects was further coordinated and improved. Attention was paid to economic results, and the capacity of these projects to drain and irrigate was thus strengthened. In addition, the provincial meteorological departments made positive contributions to the service of agricultural production and of other specific fields of endeavor.

II. Industry

In 1984, industrial production continued to expand at a high speed and in a coordinated way, and there was an increase both in product quality and in economic results. The province's total industrial output value (not including the output value of industries run by units at or below the

village level) amounted to 29.16 billion yuan, an increase of 15.1 percent over 1983. This was the highest figure since 1978. The province leaped to sixth place in the country in terms of growth speed from ranking 15th in the previous year. After adding the output value of industries run by units at or below the village level, the total industrial output value of the province reached 33.5 billion yuan, up 19.7 percent on the preceeding year. Of the total industrial output value (not including the output value of industries run by units at or below the village level), the output value of light industry was 13.25 billion yuan, a 14.8 percent increase over 1983. The output value of the food industry went up by 17.2 percent and that of the textile industry, 12.7 percent. Of this the output value of heavy industry totaled 15.91 billion yuan, an increase of 15.3 percent over the previous year. Of this, the output value of the machine-building industry rose by 23.6 percent; that of the metallurgical industry, 11.7 percent; that of the chemical fertilizers and farm chemicals industries, 8.2 percent; that of the building materials industry, 15.8 percent; that of the power industry, 10.8 percent; and that of the coal industry, 1.5 percent.

Of the 80 major manufactured goods, the province reached or surpassed the targets listed in the annual plan for 62 goods, including bicycles, television sets, household washing machines, silk textiles, woollens, raw coal, crude oil, electricity, rolled steel, cement, plate glass, motor vehicles, and small-capacity tractors. Targets listed in the state plan were not reached for the output of 18 products, such as electric fans, cloth, silk, sugar, soda ash, phosphate fertilizer, and tractors. The growth and decline of the output of major industrial products was as follows:

	<u>1984</u>	<u>Percentage increase over 1983</u>
Yarn	217,000 tons	-2.4
Cloth	940 million meters	-12.5
of which		
chemical fabrics	400 million meters	same as 1983
Chemical Fibers	15,000 tons	2.2
Woollens	2,827,000 meters	6.3
Gunnysacks	13,391,000	-24.7
Beer	83,000 tons	30.8
Raw salt	2,343,000 tons	17.8
Chemical		
pharmaceuticals	29,052,000 tons	6.3
Detergents	21,000 tons	19.1
Light bulbs	52,077,000	11.7
Cigarettes	749,000 cases	26.3
Machine-made paper		
and paperboard	358,000 tons	3.4
Soap	26,000 tons	40.2
Matches	1,571,000 cases	9.1

	<u>1984</u>	<u>Percentage increase over 1983</u>
Bicycles	1,006,000	-9.9
Wristwatches	650,000	16.1
Television sets	221,000	78.4
of which:		
color TV sets	42,000	390
Radios	358,000	17.3
Household washing machines	30,000	130
Cinefilm (converted into 35-mm film)	79,265,000 meters	-11.9
of which:		
color cinefilm	64,512,000 meters	-22.4
Raw coal	55,288,000 tons	-0.5
Crude oil	10,211,000 tons	-3.2
Processing capacity of crude oil	1,339,000 tons	29.9
Natural gas	160 million cubic meters	27.0
Electricity	24.09 billion kilowatt-hours	10.3
Pig iron	2,586,000 tons	6.2
Steel	2,324,000 tons	8.3
Rolled steel	1,754,000 tons	10.5
Coke	2,501,000 tons	3.9
Cement	7,597,000 tons	17.8
Plate glass	6,905,000 standard cases	30.8
Sulfuric acid	446,000 tons	-16.9
Caustic soda	62,000 tons	3.5
Chemical fertilizers (calculated according to 100 percent efficiency)	1,129,000 tons	12.0
of which:		
Nitrogenous fertilizer	973,000 tons	19.8
Phosphate fertilizer	156,000 tons	-20.6
Potash fertilizer	100 tons	same as 1983
Chemical insecticides	11,000 tons	4.7
Plastics	25,000 tons	3.5
Ethylene	138,000 tons	7.9
Rubber outer tyres	432,000	31.2
Mining equipment	6,600 tons	4.9
Tractors	396	-37.8
Small-capacity tractors	56,000	53.7
Motor vehicles	4,263	130
Internal combustion engines (sold as commodities)	795,000 hp	8.9

Reform of the industrial economic structure invigorated enterprises and product quality and economic results improved to a certain extent. In 1984, 17 provincial products were awarded gold medals or silver medals, 7 more than in 1983. Per-capita productivity of independently accounting

industrial enterprises under the system of ownership by the whole people rose by 11.8 percent over the previous year (not including supply and marketing cooperatives). Compared with the preceeding year, the profits realized by locally budgeted industrial enterprises and the taxes collected on the sales of their products went up by 16.8 percent; the total amount of losses of the enterprises that ran at a loss was 48.6 percent lower, overfilling the task of turning losses into profits by 1.6 percent. However, the amount of funds used to turn out finished products at the end of the year increased by 49.1 percent over 1983; the turnover period of working funds was lengthened from 119 days last year to 12 days; and the total cost of comparable products in the January-November period increased by 1.85 percent over the same period last year.

III. Investment in Fixed Assets and the Building Industry

Total investment completed in fixed assets of units under the system of ownership by the whole people in 1984 came to 4.84 billion yuan, an increase of 14.4 percent over the previous year.

Of the total volume of investment in fixed assets of units under the system of ownership by the whole people, the total investment completed in capital construction was 2.75 billion yuan, fulfilling 120.7 percent of the annual plan or a 2.6 percent increase over 1983, of which the investment completed in local projects totaled 1.03 billion yuan, fulfilling 109.3 percent of the annual plan or up 5.1 percent on the previous year.

Of the total investment in capital construction, investment in productive construction was 1.6 billion yuan, up 5.6 percent over 1983, whose proportion in the total investment in capital construction dropped from 59.3 percent in 1983 to 58.3 percent and investment in nonproductive construction came to 1.15 billion yuan, up 5.5 percent over 1983, of which investment in housing was 570 million yuan, a decrease of 3.4 percent compared with the previous year.

The construction of key development projects was completed quite satisfactorily. To sum up, the completion of large and medium-sized projects was better than that of small projects and the completion of large and medium-sized projects whose construction was carried out on the basis of a rational time limit was better than that of other large and medium-sized projects. Eight of the large and medium-sized projects were all completed and commissioned, such as the Jidong cement plant, the Handan city water-supplying project, the Xingtai metallurgical machinery rolling plant, the No 5460 factory, the No 5470 factory, and the extension projects of the Tangshan salinization works, the New Nanbao saltworks, and the Tangshan ceramic plant. The single-item projects which had been completed and commissioned according to planned requirements were the No 6 assembling unit of the Tuhe power plant, the second-phase project of the oil wharf in Qinghuangdao Port, the project and its necessary complements of penicillin sodium salt of the Huabei pharmaceutical factory, and part of the Hebei power transmission and transformer project, and such single items as the

No 9 engine pit and the Leizhuang Psammite mine of the Yaohui glassworks, the second-phase coal wharf in Qinghuangdao Port, and the south water course project of diverting water from the Luan He were basically completed or put to trial production.

The added main production capacity or beneficial effect resulting from the investment in capital production by units under the system of ownership by the whole people consisted of facilities for producing 1.55 million tons of cement, power-generating capacity of 218.75 million kilowatts, 631 kilometers of transmission line of 11,000 volts and above, 319,500 kilovolt-amperes of transformer equipment of 11,000 volts and above, port handling capacity of 5 million tons, 300,000 tons of raw salt, 700,000 tons of penicillin, 9,070 places for college or university students, 73,603 for secondary school students, and 21,895 for pupils in primary schools, a daily running-water-supply capacity of 233,500 tons, 3,128 hospital beds, and a daily coal-supply capacity in the towns of 30,000 cubic meters.

The province had an additional 2.06 billion yuan worth of fixed assets through capital construction in 1984 and the rate of availability was 74.7 percent. A floor space of 6,337,000 square meters was completed, with the completion rate of houses being 50.9 percent, of which the floor space for housing constituted 3,723,000 square meters, with its completion rate being 50.5 percent.

The province stepped up the pace of technically transforming its existing enterprises. In 1984, the investment in projects involved in the renewal or transformation scheme and in other fields of endeavor by units under the system of ownership by the whole people totaled 2,090 million yuan, up 34.8 percent over 1983, of which the proportion of investment in productive construction increased from 87.2 percent in the previous year to 89.9 percent and that in nonproductive construction decreased from 12.8 percent to 10.1 percent. In the investment in the projects which should be totally retooled or transformed, the proportion of investment in new and extension projects dropped from 34 percent in the preceeding year to 30.8 percent and that in the projects where renewal or transformation measures were involved rose from 62.2 percent to 65.6 percent.

The province accelerated the reform of the building industry and the capital construction management system in 1984. According to preliminary statistics, more than 35 percent of construction units throughout the province have already introduced various forms of the investment responsibility system. Meanwhile, of the total number of local building enterprises under the system of ownership by the whole people, 84 percent practiced various forms of the system of contracted responsibilities. In the question of wage distribution, 40 percent of enterprises introduced a system under which contracts were signed to fix the amount of wages for every 100 yuan's worth of finished work. The total output value of the province's local building enterprises under the system of ownership by the whole people amounted to 1.1 billion yuan, up 13.4 percent on 1983 and their per-capita productivity reached 6.438 yuan, up 19.3 percent.

New headway was made in geological work. In 1984, core drilling systematically completed by units under the Geological Bureau reached 155,000 meters, 44,000 meters more than in 1983 or fulfilling 103.3 percent of the year's plan. Of the plan to verify the reserves of soda-related limestone, 112.9 percent was fulfilled. Sixteen large and medium sized mineral-bearing areas were thoroughly projected and reported by the province to the state and preliminary prospecting carried out in 30 mineral-bearing areas.

VI. Transportation, Posts and Telecommunications

In 1984, the transportation and communications departments adopted various vigorous measures to expand carrying capacity and the volume of passenger and freight transportation consequently increased by a fairly big margin. The volume of goods transported by the Shijiazhuang Railway Subbureau was 39.44 ton-kilometers, up 24.3 percent over 1983 and that of passengers, 9.25 billion passenger-kilometers, up 16.4 percent. The handling capacity of goods of Qinghuangdao Port totaled 35,793,000 tons, an increase of 17.1 percent over the previous year. Air services between Shijiazhuang, capital of the province, and Beijing, Shanghai, Guangzhou, and other places were opened, beginning on 28 September 1984, one after another. The volume of goods locally transported by all means of transport totaled 4.94 billion ton-kilometers, a 27.3 percent increase over the previous year. Of this, the volume of goods transported by road was 2.29 billion ton-kilometers, an increase of 7.2 percent and that by waterway transport, 2.55 billion ton-kilometers, a rise of 55 percent. The volume of passengers locally transported by all means of transport amounted to 4.77 billion passenger-kilometers, up 18.5 percent over 1983, of which the volume of road passengers was 4.74 billion passenger-kilometers, up 18.5 percent.

Posts and telecommunications developed fairly rapidly. Posts and telecommunications transactions of the province in 1984 amounted to 110 million yuan, an increase of 9.9 percent over the previous year. This included a 9.2 percent increase in letters, a 6.5 increase in parcels, a 16.4 percent increase in long-distance calls, a 1 percent decrease in telegrams due to a charge readjustment, and a 17.1 percent increase in the accumulated circulation of newspapers and magazines.

In the course of the economic structural reform, the economic results of the transportation and posts and telecommunications sectors further improved. Compared with 1983, the per-capita productivity of the Shijiazhuang Railway Subbureau in 1984 was 6.6 percent higher, the cost for passenger and freight transport calculated on a ton-kilometer basis was 1 percent lower, and the realized profits were 12.6 percent more. The cost per ton-kilometer of motor vehicles operated by province-run transport enterprises dropped by 2.9 percent compared with the previous year and the profits realized per motor vehicle increased by 8.7 percent over 1983. The profits created by posts and telecommunications enterprises went up by 25.9 percent over the previous year.

V. Domestic Commerce

Commodity supply was relatively ample. In 1984, the total volume of commodities purchased by state-owned commercial departments and supply and marketing cooperatives reached 13.46 billion yuan, an increase of 17.5 percent over the previous year. This included an increase of 22.7 percent in the purchases of farm and sideline products and an 11.6 percent in those of manufactured goods. The purchases of cotton (in the calendar fiscal year) totalled 1.66 billion jin, up 17.1 percent on 1983, those of grain (in the calendar fiscal year), 10.28 billion jin, up 29.1 percent, those of edible plant oil (in the calendar fiscal year), up 36.6 percent. The purchases of such commodities as television sets, wristwatches, and sewing machines increased by a fairly big margin.

There was a big increase in commodity supplies on the market. The retail sales of commodities in 1984 reached 16.8 billion yuan, an increase of 25.2 percent over 1983, or a real increase of 21.2 percent after deducting the effect of inflation. The retail sales of consumer goods showed an increase of 27.5 percent over the previous year. Compared with 1983, the volumes of major commodities sold by state-owned commercial departments and supply and marketing cooperatives were as follows: The sales volume of grain was up by 32.5 percent, that of edible plant oil, up by 43.8 percent, that of eggs, up by 14.4 percent, that of sugar, up by 24.2 percent, that of pork, down by 15 percent, that of woollens, up by 40 percent, that of silks and satins, up by 18.2 percent, that of cloth of various types, down by 22.9 percent, that of television sets, up by 73.8 percent, that of electric fans, up by 83.3 percent, that of washing machines, up by 180 percent, that of wristwatches, up by 40.6 percent, that of household refrigerators, up by 376 percent, and that of bicycles, down by 1.9 percent.

Retail sales of commodities in all sectors of the economy increased, with the individual economic sector registering the fastest growth. Total retail sales in the economic sector under the system of ownership by the whole people reached 7.8 billion yuan, a rise of 25 percent over 1983; those in the collective economic sector (including supply and marketing cooperatives) amounted to 6.6 billion yuan, a gain of 16.6 percent, or a real increase of 57 percent after deducting the retail sales by supply and marketing cooperatives; and those in the individual economic sector totaled 2.4 billion yuan, a rise of 59.9 percent, with the proportion of retail sales in the individual economic sector in the total retail sales of commodities in all sectors of the economy increasing from 11.3 percent in the previous year to 14.3 percent. Trade in urban and rural peasant markets was brisker than in 1983. Total business turnover of the 2,274 such markets throughout the province in 1984 reached 2.32 billion yuan, 33 percent higher than in the previous year. Of this, the transactions in meat, eggs, aquatic products, vegetables, and dried and fresh fruit increased by a range of 22 percent to 38 percent over the previous year.

The reform in the commodity circulation system made fairly rapid progress. In 1984, 250 large and medium-sized state-owned retail sales commercial institutions and catering or service enterprises under the jurisdiction

of the Department of Commerce introduced various forms of the economic contract responsibility, constituting the 92.6 percent of the total number of such institutions and enterprises and more than 4,460 small state-owned retail sales commercial institutions, and catering or service enterprises were operated in a more liberal way. Of this, 78 percent remained state-owned but operated by the collectives, 11.9 percent were turned directly into enterprises under the collective ownership system, 4.5 percent were operated by individuals under a lease system, and 5.6 percent were contracted to the collectives. Twenty-one second-tier wholesale stations of manufactured goods under the jurisdiction of the Department of Commerce of the province were put under the administration of city authorities and merged with the third-tier wholesale stations. The number of peasant households becoming shareholders of supply and marketing cooperatives amounted to 9.5 million, comprising more than 90 percent of the total number of peasant households of the province, and the total amount of money invested reached 116 million yuan, 280 percent more than in the previous year.

There was an upward trend in market prices. With the expanded scope of commodities purchased at a negotiated price and of the amount of commodities in excess of state purchase purchased at a higher price, the general price index for purchases of farm and sideline products rose by 5.3 percent over 1983 and the general index of retail sales in the year increased by 3.4 percent. Retail prices rose by 2.7 percent in the cities and 3.6 percent in the rural areas. In the general index of retail sales of consumer goods, with the exception of a decrease in the price of clothing, prices of other consumer goods rose. Compared with the previous year, nonstaple foodstuffs registered a growth of 4.1 percent in price, which included a respective increase of 15 percent and 11.3 percent in the prices of fresh vegetables and fruit, an 8.7 percent increase in pharmaceuticals, a 4.9 percent increase in fuels, a 2 percent increase in daily necessities, and a 0.3 percent increase in recreational articles. The prices of means of agricultural production rose by 7.7 percent. The price index for the cost of living of staff and workers in the year was 3.1 percent higher than in the previous year. Of this, the retail sales prices for consumer goods was up 2.7 percent and services charges up 8.5 percent.

Compared with 1983, in 1984 the net profits gained by supply and marketing cooperatives increased by 14.3 percent and the amount of losses incurred in the enterprises that were operated at a loss dropped by 67.3 percent and the rate of charges in commodity circulation also dropped by 1.1 percent.

In 1984, the supply of most production means under state unified management showed increases over the previous year. The supply of rolled steel rose by 14.8 percent, that of coal, by 1.6 percent, that of cement, by 19.3 percent, and that of plate glass, by 27.8 percent.

VI. Foreign Trade and Tourism

There was fresh growth in foreign trade. In the foreign trade of the province in 1984, the total volume of exports came to 4760 million, fulfilling the annual plan by 133.3 percent, or an increase of 11.9 percent over 1983. The total purchase volume of exports reached 1,860 million yuan, fulfilling 125.3 percent of the annual plan, or 3.9 percent less than in the previous year. This was due mainly to the restrictions on the export of products incurring big losses.

The utilization of foreign capital and the absorption of technology were significantly accelerated. The total amount of foreign investment directly used in 1984 surpassed the total sum of foreign investment used in the previous 5 years, an increase of 820 percent over 1983. Compared with the previous year, the number of pieces and the transactions volume of imported technology and equipment registered big increases.

The tourism industry made further progress. In 1984, the province's tourist departments received a total of 21,979 foreigners and overseas Chinese from 27 countries and regions and Chinese compatriots from Hong Kong and Macao, 8.3 percent more than in the previous year. The income from the industry in the year increased by 13 percent over 1983.

VII. Science, Education, and Culture

The work of science and technology made fairly rapid progress. In 1984, the number of major research results achieved by the province in science and technology came to 731, 58 items more than in 1983, some of which served to fill gaps in the fields of science and technology in the country and were applied in practice for the first time. Of the 174 research results in science and technology appraised by the province, 74 percent were already commissioned or popularized and applied in practice. They produced economic results worth more than 300 million yuan and more in the year. The ranks of the scientists and technological workers continued to grow steadily. The number of technological personnel in the natural sciences working in local units under the system of ownership by the whole people in 1984 totaled 260,000. Some progress was made in research work in the social sciences.

Educational readjustment and reform was carried out at an accelerated pace and gratifying achievements were made in running schools through the concerted efforts of various quarters concerned. While improving the quality of higher education, the province also increased the number of institutions of higher education. In 1984, these schools enrolled 126 postgraduates and the total number of postgraduates came to 261, 122 students more than in the previous year. Ordinary institutions of higher education enrolled 18,000 students, 3,000 more than in the previous year and these institutions had a total enrollment of 49,000 students last year, 7,000 more than in 1983. A total of 11,000 students graduated from these institutions last year, 1,000 fewer than in the previous year. Adult higher education institutions had 48,000 students last year, 14,000 more than in 1983.

There was a marked improvement in restructuring secondary education. Secondary technical schools had 67,000 students, 7,000 more than in 1983. Agricultural middle schools and vocational middle schools had 105,000 students, 51,000 more than in the previous year. Ordinary senior middle schools had 302,000 students, 21,000 more than in 1983. Ordinary junior middle schools had 2,118,000 students, 22,000 fewer than in the previous year.

In 1984, there were 6,079,000 pupils in primary schools, 262,000 fewer than in 1983. The number of school-age children entering school increased from 96.7 percent in 1983 to 97.6 percent.

Cultural units, the press, radio and television undertakings made fresh contributions in building the "two civilizations." In 1984, the province had 11,000 film-projection units of various types, 193 performing arts troupes, 509 cinemas, 166 cultural centers, 103 public libraries, 19 museums, and 192 archives. There were seven medium-wave radio stations, nine radio stations with frequency modulation, and three television centers. The province produced 450 million copies of newspapers, 8,888,000 magazines, and 170 million books.

VIII. Public Health and Sports

Public health work developed considerably. At the end of 1984, the province had 10,443 medical institutions, 162 more than in 1983. The number of hospital beds in various health organizations reached 110,000, an increase of 2.8 percent over the previous year. Professional health workers numbered 154,000, up 3.8 percent on 1983. They included 73,000 doctors, up 2.6 percent and 24,000 senior and junior nurses in all, up 1.2 percent. Further progress was made in the patriotic health campaign and the work to prevent and cure diseases.

Satisfactory successes were scored on the sports front. In 1984, the province's athletes won eight gold medals, four silver medals, and two bronze medals in international sports meets, broke one world record in the sports events for the handicapped, and chalked up five national records. They won 85 gold medals, 67 silver medals, and 64 bronze medals in nationwide sports meets. Last year, 1,870,000 secondary school students and primary school pupils reached the standards set by the "National Physical Training Program" and mass sports activities were carried out in an extensive way. The number of sports sites increased remarkably. Shijiazhuang, capital of the province, already has a modern gymnasium.

IX. People's Livelihood

Continued improvements were made in the livelihood of the urban and rural population. According to a sample survey of 1,418 rural peasant households in 29 counties, the average per-capita net income in 1984 was 345 yuan, 47 yuan more than 1983, or an increase of 15.7 percent. According to a sample survey of 780 households of city dwellers in nine cities, the average

per-capita net income in 1984 was 526.6 yuan, 47.4 yuan more than in 1983, a gain of 9.9 percent, or a real increase of 6.6 percent after deducting the rise in the cost of living index.

With increased incomes, city dwellers had more medium and high-grade consumer goods. Every 100 city households had, on the average, 33 washing machines, 13 more than in 1983; 82 television sets, 1 more; 27 radio-cassette recorders, 9 more; and 42 electric fans, 3 more. Every 100 peasant households had 119 bicycles, 12 more than in 1983; 62 sewing machines, 5 more; 100 wristwatches, 18 more; and 5 television sets, 3 more. There were also radio-cassette recorders, washing machines, and electric fans in peasant households.

The number of staff and workers totaled 5,305,000 at the end of 1984, 4.6 percent more than the previous year. This included an increase of 3.3 percent in the number of staff and workers in units under the system of ownership by the whole people and an increase of 8.9 percent in that of staff and workers in units under the collective ownership system in cities and towns (including those working in supply and marketing cooperatives), or an increase of 11.2 percent after deducting the increase in the number of staff and workers in supply and marketing cooperatives. The number of self-employed workers in cities and towns came to 75,000, up 66.7 percent over 1983. The total provincial wage bill for staff and workers reached 4.75 billion yuan, an increase of 17.9 percent over the previous year. This included 730 million yuan of bonuses and payments for the portion in excess of planned quotas under the piece rate system, 49 percent higher than in the past year. Wages for staff and workers all over the province in the year averaged 915 yuan, an increase of 14.9 percent over 1983.

Savings deposits of the urban and rural population continued to increase. The balance of savings deposits of residents throughout the province at the end of 1984 totaled 7.97 billion yuan, an increase of 38.4 percent over 1983. This included an increase of 38.2 percent in the balance of savings deposits of the urban population and an increase of 39 percent in that of the rural population.

Social welfare work was further strengthened. The number of the orphaned, the aged, the disabled, and the young whose livelihood was not assured who were supported by rural collectives amounted to 77,000. Homes for the aged in rural areas numbered 1,258, up 27.7 percent from 1983 and they supported 13,000 people, up 22.3 percent. The number of social welfare institutes in cities and towns was 27, taking care of 983 people.

X. Population

According to calculations based on a sample survey, at the end of 1984, the province had a population of 54.81 million, an increase of 610,000 over 1983.

A sample survey of 88,800 people drawn from 529 villagers groups (residence groups) in 34 counties (cities or prefectures) revealed that the birth rate of the population in 1984 was 16.73 per thousand, and the death rate, 5.41 per thousand, or 1.18 per thousand and 1.19 per thousand respectively less than in 1983. The natural growth rate was 11.32 per thousand, or basically the same as the figure a year ago.

PROVINCIAL AFFAIRS

BRIEFS

HEILONGJIANG INDUSTRIAL GROUP VISITS BULGARIA--Sofia, 11 Feb (XINHUA)--An industrial study group from Heilongjiang Province led by Vice Governor Gong Benyan visited Bulgaria on invitation from 5 to 11 February. During the visit, Vice Governor Gong Benyan held talks with (Markov), Bulgarian first deputy minister of Machine Building Industry, and Martin Marinov, deputy minister of foreign trade. The two sides exchanged views on developing economic and scientific-technical cooperation and signed a summary of the talks. The group also visited some production units in Bulgaria's six states and was warmly and cordially received by the parties concerned. On 11 February, Ognyan Doynov, Bulgarian minister of Machine Building Industry, and Khristo Khristov, minister of foreign trade, met with members of the group on separate occasions. The industrial study group will leave Bulgaria on 12 February. [Text] [Beijing XINHUA Domestic Service in Chinese 1727 GMT 12 Feb 85 OW]

GUIZHOU PREFULFILLS 5-YEAR PLAN--Guiyang, 19 February (XINHUA)--Industrial and agricultural production in landlocked Guizhou Province in southwest China was valued at 13.2 billion yuan last year, according to local authorities. The figure was 17.6 percent up over 1983 and 6.5 percent more than the target set for this year in China's 1981-1985 economic plan. Industrial output value was more than 7.3 billion yuan, while agriculture rose to more than 5.8 billion yuan. This relatively underdeveloped province harvested a record 7.56 million tons of grain, 530,000 tons more than the preceding year. It has for the first time ended dependence on state grain supply, which used to amount 500,000 tons annually. Its average annual economic growth rate was over 10 percent since 1982. [Text] [Beijing XINHUA in English 0727 GMT 19 Feb 85 OW]

ECONOMIC DEVELOPMENT ASSOCIATION APPOINTMENTS--According to HENAN RIBAO, Liu Jie, secretary of the provincial CPC Committee, and Hu Tingji, vice governor, yesterday afternoon presented letters of appointment to members of the office of the provincial Economic Development Discussion Association. The association was formed on the initiative of a group of the province's middle-aged and young intellectuals. It functions as a longstanding forum so as to provide economic suggestions, plans, and other services to the provincial CPC Committee and the provincial government. The youngest member of the association board is only 23 years old. In connection with the requirements of the provincial CPC Committee and the provincial government, the association will organize various small forums and special discussions on various subjects. HENAN RIBAO also publishes along with the article a news photo of Comrade Liu Jie presenting letters of appointments to the youths. [Text] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 13 Feb 85 HK]

ECONOMIC DEVELOPMENT ZONES

ROLE OF LEGAL ADVISORY OFFICE IN SHANGHAI ENTERPRISES DISCUSSED

Beijing LIAOWANG [OUTLOOK] in Chinese No 48, 26 Nov 84 pp 12-13

[Article by Yan Weimin [0917 5898 3046]: "After Lawyers Walk Into Enterprises--An On-the-spot Report on the No 1 Legal Advisory Office in Shanghai Municipality in the Service of Economic Work"]

[Text] A dispute involving the use of land left over by the Shanghai Tianmin Confectionery in 1958 was equitably settled not too long ago with the help of lawyers from the No 1 Legal Advisory Office in Shanghai and the legal advisers of the confectionery. The manager sighed with emotion: "Thanks to the help of lawyers, the dispute that lasted for 20 years was properly settled. From now on, we will hire a lawyer as our legal adviser even if the confectionery is not making money."

The No 1 Legal Advisory Office of Shanghai Municipality began doing legal advisory work for government organs, public organizations, enterprises and business units in 1980. At present, a staff of more than 20 lawyers in the economic section of the advisory office has been invited by more than 260 enterprises as their legal advisers. As soon as they walk into the enterprises, these lawyers will help the enterprises arrange internal and external economic contacts by legal means, improve the operation and management of enterprises, prevent and reduce economic disputes and safeguard the legitimate rights and interests of the enterprises thereby helping them raise economic results.

Promoting New Economic Contacts

With the expansion of the decision-making power in the enterprises and the reform of the economic structure, economic contacts between enterprises have become more active with each passing day and have emerged in many new forms such as compensatory trade and joint operations. In adherence to the state economic rules and regulations and policies, the No 1 Legal Advisory Office has helped enterprises sign various contracts according to law and brought about smooth economic contacts between enterprises.

Early last year, Shanghai experienced shortage in the supply of yellow phosphorous. The dyeing chemicals company under the municipal chemical industry bureau has come to know that the Pushi general chemical plant in Luxi county,

Hunan, had the potential of producing yellow phosphorous and also had some in stock that could meet pressing needs. But that plant has asked for a loan to expand the production of yellow phosphorous in an organized way. What is the feasibility and legality of this type of enlarged compensatory trade transaction after all? After going through voluminous data, the lawyers of the No 1 Legal Advisory Office engaged by the factory got a clear picture with regard to the source of funds for compensatory trade loan in the amount of over 1 million yuan between Shanghai and other provinces, the scope of policies and the related state policies and regulations governing the yellow phosphorous resources. They helped personnel concerned go to Hunan to conduct an investigation and negotiation and provide them legal assistance to ensure the legality of compensatory trade.

Since yellow phosphorous is inflammable, it has to be kept in the water in normal times. To transport yellow phosphorous from Pushi to Shanghai by ship takes half a month. To ensure safety in transportation and uninterrupted production, the lawyers negotiating with the Pushi general chemical factory for contract signing had requested insurance coverage for the shipment and advised that the insurance company should conduct serious investigation on each shipment of yellow phosphorous prior to departure to avoid accident. The lawyers also proposed that stipulations should be specified in provisions to pinpoint responsibilities in the event of a breach of contract involving the use of repayment of loan so as to make it binding on both parties. If Shanghai cannot come up with the loan as scheduled, or the other party fails to repay the loan on time as promised, a penalty for the breach of contract should be paid at a rate of three-ten thousandths per day. This way will provide legal assurance in extending or recalling a loan in a timely manner and streamlining the turnover of working capital. With the help of lawyers, the dyeing chemicals company and the Pushi general chemical factory successfully signed a contract to expand compensatory trade. As a result, the critical shortage of yellow phosphorous experienced in Shanghai was eased.

Safeguarding the Trademark Reputation of Famous-brand Products

Shanghai is known to have many famous-brand products. However, cases of infringement of exclusive trademark rights of famous-brand products have been reported frequently. To cope with this situation, lawyers of the No 1 Legal Advisory Office have on the one hand helped inviting units to perfect the registration procedures and solidify the trademark control system and on the other hand use legal means to realistically safeguard the trademark reputation and the economic rights and interests of the enterprises.

The "Hundred Flowers" brand crushed peanut candy is a famous-brand product of the Shanghai Huashan Confectionery which has been selling well both at home and abroad. However, many confectioneries in Shanghai and other places have produced and marketed this type of candies by imitating its blue and white check design, color, candy size and name. Because the blue and white check design represents the packaging, not the trademark of the product, the industrial and commercial department cannot take any action against imitation according to rules and regulations governing trademarks. A responsible person of the confectionery asked lawyer Wu Baochen [0702 1405 3819], legal

adviser of the company affiliated to the confectionery, to help solve this problem. Lawyer Wu proposed that since the blue and white check design has become a prominent hallmark of the crushed peanut candy, this design should be used as a base map to be incorporated with the "Hundred Flowers" trademark for full registration as candy wrapper. After the Huashan confectionery accepted this proposal, lawyer Wu filed an application with the industrial and commercial department to this effect but he was told that it could not be done since there was no precedent of full registration of a candy wrapper. After examining all registered trademarks, he discovered that trademarks for wine and cigarettes have actually included the wrapper as a part of the trademark registration. He held that although the candy wrapper is basically very small in size, consumers have always identified the merchandise with the wrapper, therefore, full registration of the candy wrapper as a part of the trademark is more necessary than wines and cigarettes. After discussion and consultation, the industrial and commercial department agreed to include the blue and white check design as a base map to be incorporated into the "Hundred Flowers" trademark for full registration. This has been reported, approved and duly announced by the state bureau of industry and commerce. As a result, the reputation of this famous-brand candies is now legally protected.

The "Yongjiu" brand and the "Phoenix" brand bicycles produced by the Shanghai bicycles company have become the targets of imitation and profiteering by many other factories. According to an investigation, a total of several hundred thousand imitation bicycles of "Yongjiu" brand have appeared in more than 20 provinces, cities and autonomous regions throughout the country. The reputation of the Shanghai bicycles company has been damaged by the mixing of the spurious with the genuine by others. Some customers who bought the imitated goods have written to this company demanding an exchange or return of the bicycles they purchased. To cope with this situation and at the suggestion of lawyer Fu Xuanjie [0265 3763 2638] in August last year, the Shanghai bicycles company authorized the lawyer to issue a statement in WEN HUI BAO reiterating the Shanghai bicycles company's exclusive trademark rights to the "Yongjiu" and "Phoenix" bicycles and reminding the customers to identify the trademark serial numbers and other characteristics and report to the authorities about any act of imitation. At the same time, the lawyer had also taken legal proceedings against any trademark infringement.

The trademark of the "Golden Phoenix" brand bicycles produced by the Tianmen general bicycles factory in Hubei was designed by imitating the vertical phoenix design. In spite of poor quality, over 200,000 imitation bicycles were dumped into 24 provinces, cities and autonomous regions throughout the country for sale as the trademark looked very similar to the "Phoenix" brand. The Tianmen general bicycle factory continued to produce and sell this type of bicycles even after the Shanghai bicycles company informed the Tianmen county industrial and commercial department on a number of occasions. In December last year, the lawyer formally accepted the case and brought charges to the prefectural procuratorate where the factory is located. Attaching great importance to this matter, the Hubei provincial people's government instructed the provincial industrial and commercial department to close down the Tianmen general bicycle factory and revoke its business permit. It

had also asked the industrial and commercial department to destroy the "Golden Phoenix" trademark patterned after the "Phoenix" brand and pay a fine of 5,000 yuan.

Becoming Good Staff Officers in Opening to the Outside World

Importing advanced technology from abroad is an important feature of Shanghai's work of opening to the outside world. In negotiating and signing contracts for importing technology, lawyers of the No 1 Legal Advisory Office have earnestly provided the inviting units advisory services dealing with economic policies and law in making outside contacts and took part in examining contracts to ensure the legality of the contracts and safeguard the state sovereignty and the legitimate rights and interests of the enterprises to avoid economic disputes and promote smooth progress of economic cooperation with foreign countries.

In 1983, the Shanghai dyeing chemicals company planned to import the "new technology of synthesizing quinone gas" (xi kun qi 5527 4128 3051) from a foreign business firm who had submitted the initial draft contract during the negotiation. In examining the initial draft contract, however, the lawyers discovered that the new technology reflected only the laboratory results without going through the intermediate experiment as required prior to embarking on industrial production. The lawyers therefore suggested that the feasibility of putting this new technology into production on a certain industrial scale should be studied seriously. Moreover, the initial draft of the contract generally referred our side as the "Chinese side" without clearly specifying the legal person and this will be to our disadvantage in the event of a dispute. The lawyers then suggested that the title be changed to name the enterprise concerned.

Due to the fact this new technology reflects only the results of laboratory tests and is not entitled to patent right, the holder of this new technology has specifically asked in the initial draft contract that the secret of the process be kept. But the lawyers held that since the limit of secrecy contained in the initial draft contract was not clearly defined and the guidelines for maintaining secrecy were too liberal, they may be easily confused with any new achievements made by our side in development on the basis of this new technology thereby restricting technological development on our side. As a result, the lawyers put forth a proposal asking for specific revision of the provisions concerning the maintenance of secrecy contained in the initial draft contract. With the help of the lawyers, the dyeing chemicals company has adopted a more prudent attitude toward signing the contract.

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ECONOMIC MANAGEMENT

RENMIN RIBAO DISCUSSES REFORM OF PRC BANKING SYSTEM

HK261503 Beijing RENMIN RIBAO in Chinese 18 Feb 85 p 5

[Article by Liu Guangdi [0491 0342 4574]: "Separation of Government From Enterprise Functions and Reform of the Financial System"]

[Text] At present some comrades hold that opening financial markets and establishing financial centers should be a breakthrough in China's financial reform. This is quite reasonable. In my opinion, however, we should first make a breakthrough in reforming the state banking system. Only when the state banking system conforms to the needs of the development of the planned commodity economy can the opening up of financial markets or establishment of financial centers have a realistic basis.

China's state bank has been and will continue to be the pivot of the activities of social funds. In the implementation of the new economic pattern in China, it undertakes the following two major tasks which are related to each other: On one hand, it is the powerful means for the state to exercise macroscopic control and regulation over economic life. Without macroscopic control and regulation by the state, it would be impossible to implement the planned economy. On the other hand, it is the economic lever for the state to guide and readjust the microeconomy according to the socialist principle as well as the instrument to link up and readjust both the macro and micro-economies. Without the bank, it would be impossible to "exercise effective control over major issues" or to "allow flexibility on minor issues." Therefore, the important role of the bank, which serves as a "delicate and exquisite organ," will be gradually manifested in the national economy.

Why is it necessary to rely on the bank to exercise macroscopic control and regulation? Because, after extending the decisionmaking power of enterprises, the production and marketing of ordinary products will basically be determined by the enterprises and there will be enormous development in the horizontal circulation of funds and materials. The state will reduce the scope of planned management and exercise planned leadership mainly through expanding value management (in reference to circulation of funds and currency). The banks are organs that exercise management over the operation of value. In the course of implementing the "Decision" adopted by the 3d Plenary Session of the 12th CPC Central Committee, the state will inevitably require the banks and other value management departments to fully utilize the various

economic means in their hands to enhance macroscopic control and regulation so as to ensure the healthy development of a dynamic, yet not chaotic, national economy.

When the macroeconomy loses balance, can we use the regulative role of the economic levers to balance the uneven economy? No, certainly not. The role of the economic levers over the microeconomy is conditional and it can be brought into full play only when the macro policy decisions are correct and the macroeconomy is under control. Naturally, we cannot, for the sake of strengthening macroscopic control, neglect enhancing the vitality of enterprises. Otherwise, the enterprises will be stifled. Therefore, in reforming the banking system, we must keep in mind the enlivening of enterprises and the microfinance and proceed from doing a good job in macroscopic control, so that the demands of both factors are organically combined. It would run counter to the spirit of the "Decision" to lay stress on any one factor, regardless of others.

The main defects in China's banking system at present are those functions of government which are not separated from those of enterprises. Such a state of affairs is more serious and prominent in the field of banking than in other economic departments. It is manifested in the following: 1) Although the special banks are legally designated as "economic entities," they simply have no decisionmaking power and economic responsibility. The establishment of these special banks, which is a duplication of the full set of methods applied by the state organs, is an enterprise in form but an organ in essence. The organs of these special banks implement conventional management methods which contradict the horizontal development of the commodity economy. 2) The central banks are established according to administrative regions which does not suit the needs of expanding the horizontal connections of funds. In addition, they cannot give play to their role due to administrative interferences. 3) The management of credit funds has not yet been extricated from the state of secluded supply system, which makes it difficult to improve the results of funds. All this shows that the situation of functions of government not being separated from those of enterprises has led to grave consequences, which must be immediately reformed.

Some comrades hold that Marx's idea that the state should "exclusively monopolize" the banks and Lenin's idea on the "leading bank" are out-of-date in China at present. In my opinion, this is not correct. In carrying out macroscopic planning and control in China, the theory of Marx and Lenin should still be the important principle for us to follow. The question is how should we combine the "exclusively monopolized rights" of the state with flexible operation and management, combine the "leading bank" with specialization, and combine direct finance with indirect finance under the new historical conditions. In order to enliven the economy, the headquarters of all special banks should delegate power so that the branches will be turned from the current "administrative type" into "enterprise operation and exploitation type" and from the "system of secluded supply of funds" to the "system of open supply of funds" and that the branches will become economic entities which can carry out independent operation, assume sole responsibility for their profits and losses, and link up their rights with responsibility and benefits.

After delegating power to the lower levels, the headquarters of various special banks should focus their attention on working out plans and concrete policies, providing services and guidance to the organizations at lower levels and strengthening supervision over them, taking responsibility for establishing contacts with foreign organizations, and no longer interfering directly in the businesses of the branches.

While delegating the decisionmaking power of various special banks, the People's Bank of China, which serves as the central bank, should implement a highly centralized system as it assumes the duty of exercising management over the financial undertakings of the whole country and readjusting the economic life of the nation on behalf of the state. Marx pointed out: "The central bank is the pivot of the credit system." ("Das Kapital," Vol 3, p 648) We must clearly understand that in strengthening macroscopic control and regulation, we must mainly rely on the central bank. Allowing flexibility for special banks is a reform. It is also a kind of reform to enhance centralism of the central bank and to strengthen the authoritative organ of macroscopic control so that it can become the "pivot of the credit system" in China. The defects of China's banking system are indicated in a lack of centralized control in the macroscopic field and a lack of vitality and motivity in the microscopic field as well as the failure to exercise effective control over major issues while allowing flexibility on minor ones. However, the reform in the macroscopic field is far more difficult compared with that in the microscopic field. Only by strengthening centralized control in the macroscopic field can we boldly allow flexibility in the microscopic field. The purpose of enhancing macrocontrol is to create conditions for allowing flexibility on microscopic aspects. In turn, flexibility on microscopic aspects requires control in the macroscopic field.

A slight change in the banking system may directly affect industrial and agricultural production, commodity circulation, and the life of millions upon millions of people. Its feedback depth is greater than that in economic units responsible for production or commodity circulation, while its problems are less perceivable than those in the units responsible for production or commodity circulation. Therefore, the reform of the banking system, although urgent, is extremely difficult. In order to cautiously handle the matter, we should first carry out experiments in certain localities where the financial undertakings are relatively developed and the cadres are competent, and then promote work in all areas by drawing upon experience gained at these localities.

CSO: 4006/412

ECONOMIC MANAGEMENT

STATE ENTERPRISES RAISE LABOR PRODUCTIVITY

OW220733 Beijing XINHUA in English 0643 GMT 22 Feb 85

[Text] Beijing, 22 Feb (XINHUA)--Labor productivity for China's state owned enterprises practicing independent accounting rose 8.7 percent in 1984, the fastest increase for the past few years, according to the State Statistical Bureau.

The average output value created by each worker reached over 14,000 yuan. But in industrially developed Shanghai, the figure was 30,288 yuan, 3.4 times as high as the national average.

The above-average labor productivity was also reported from Tianjin, Beijing, and Jiangsu, Zhejiang, Hubei, Shandong, Liaoning and Guangdong Provinces.

Labor productivity increased by 17 percent in Fujian Province, the fastest growth rate in China. Other places registering double digit increases included economically underdeveloped Guizhou and Qinghai Provinces, Jiangsi, Yunnan, Sichuan, Guangdong and Hebei.

The fast increases in labor productivity were attributed to improved management and the effort to raise economic results.

CSO: 4020/129

ECONOMIC MANAGEMENT

FAMILY-RUN WORKSHOPS THRIVE IN SICHUAN

OW180744 Beijing XINHUA in English 0731 GMT 18 Feb 85

[Text] Chengdu, 18 February (XINHUA)--Tax exemption and reduction has boosted family-run workshops and cooperatives in rural Sichuan Province to 130,000 provincial officials said here today.

To encourage more peasants to switch to non-farming business to develop a market-oriented rural economy, the local governments have exempted taxes in animal by-products, bee-keeping, production of farm machines and tools, pesticide, fertilizer, medicine for animals, feeds and construction of hydroelectric power stations. They also give these workshops and mills technical aid.

More than 30,000 peasant households on the Chengdu Plain are running breweries or producing bean curd and bean milk, bricks or prefabricated concrete structures for housing building. Officials said that these are much needed on the markets.

One farmer who runs a noodles-processing mill with six members in his family told XINHUA that the family earned net income from processing noodles last year reached more than 10,000 yuan, up from 2,500 yuan in 1981.

Wang Wensung and his family started the business in 1981. Last year they produced 100 tons of noodles, and plan to process 125 tons this year.

CSO: 4020/122

ECONOMIC MANAGEMENT

HEILONGJIANG ISSUES REGULATIONS FOR MINORITY AREAS

SK191220 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 16 Feb 85

[Excerpts] The provincial government and relevant departments recently worked out 10 regulations to further relax policy restrictions in economic work in the minority areas and to promote a flourishing economy in minority areas.

Our province has more than 1.6 million minority people. In order to accelerate the pace of production development, the provincial government and relevant departments decided to further relax policy restrictions for minority areas. The province should fix prices in such a way as to protect the interests of the minority people in purchasing aquatic and livestock products and aquatic products in the busy season. We should grant loans to key fishing zones and support them in building and repairing cold storages facilities [in] order to benefit the purchasing and marketing of commodities. Livestock products are in unlimited supply and should be sold at market prices. In order to help rural areas inhabited by minority people readjust the industrial structure, the province decided to grant special loans totaling 5 million yuan to pastoral areas to support the development of specialized households engaged in livestock production. Town and township-run enterprises and shops, food stores, and factories for producing goods for use by minority people that were newly run by minority people and have difficulties are exempted from income taxes for 2 years. The poverty-stricken minority areas are continuously exempted from the purchasing and procurement tasks and are exempted from or given reduced agricultural tax liabilities. In addition, the state has granted 9 million yuan in interest-free loans to the minority areas, the state and the province also allocated 4 million yuan in production funds to the minority areas to develop production.

Relevant regulations have also been worked out with regard to relaxing policy restrictions for mountainous and forest areas, running communications undertakings, exchanging talented persons, supplying the means of production and livelihood, constructing irrigation works and power plants and granting loans for urban construction.

ECONOMIC MANAGEMENT

WUHAN SHOWS HOW TO STREAMLINE URBAN ECONOMY

OW181122 Beijing XINHUA in English 1100 GMT 18 Feb 85

[Text] Beijing, 18 February (XINHUA)--How China is streamlining its urban economy by cutting red tape and encouraging cooperation is reported in a front page story in today's ECONOMIC DAILY.

Wuhan, capital of Hubei Province, now runs 41 large enterprises which until recently were under the central and provincial governments. The Wuhan iron and steel complex, one of the country's largest steel producers, is one of the companies.

Since the city was given greater power of decisionmaking, these enterprises have gained a measure of autonomy. They are now cooperating with 1,100 factories and research units in 27 Chinese provinces, municipalities and autonomous regions, the paper reports.

China's current policy calls for decentralizing control of industry. The move helped Wuhan increase profits from industry by 14.4 percent last year over 1983, the paper adds.

Total output value for the Wuhan iron and steel complex registered a 15.7 percent increase. Its output of much needed rolled steel was up 16.3 percent.

The triple city situated on the banks of the Yangtze River is an important industrial center and inland port in central China.

Cooperative and individual efforts are also being encouraged to improve the city's water transport.

Previously the port of Wuhan served only ships operating under the Yangtze River Transport Bureau. It is now open to all ships whether they are state, collectively or privately owned.

A joint shipping company has been set up in Wuhan, with 11 provinces participating. It is expected to help break the logjam of cargo transport along the river from Chongqing in Sichuan to Nanjing in Jiangsu and on to Shanghai at the mouth of the river.

Wuhan, which hopes to become one of China's major commodity distributing centers, has recently set up 90 trading centers and 190 storehouses serving the needs of the entire country.

ECONOMIC MANAGEMENT

BRIEFS

DALIAN ECONOMIC ZONE INFRASTRUCTURE--Beijing, 26 Feb (XINHUA)--Dalian, a major northeast China port in Liaoning Province has invested 33 million yuan on infrastructure in its new 50-square-kilometer economic and technological development zone. Construction of roads, power and water supply and installation of telephone service will be completed by this October, according to today's issue of ECONOMIC DAILY. Zone planners invited tenders for architectural design and construction which helped them realize a saving in investment of 1.12 million yuan. They also sought investment for new factories from Liaoning, Jilin and Heilongjiang provinces. To date they have signed four contracts. Dalian was one of 14 coastal cities of China opened to foreign trade and investment last year. Officials there say they will set up a modern industrial zone with advanced technology within 3 years. They challenge the 13 other cities to try to do it in a shorter time. [Text] [Beijing XINHUA in English 1204 GMT 26 Feb 85]

CSO: 4020/133

FINANCE AND BANKING

JORDAN COMMERCIAL BANK TO EXPAND PRC OPERATIONS

HK120349 Beijing CHINA DAILY in English 12 Feb 85 p 2

[By staff reporter]

[Text] Jordan's largest commercial bank, which already operates a representative office in Beijing, has received permission from China to open a branch in one of the country's coastal economic zones.

'Abd al-Majid Shuman, chairman of the Arab Bank Ltd, made the announcement in Amman yesterday. He said he will visit China later this year to conclude arrangements.

Arab Bank, with 1983 assets totaling \$7 billion, is one of six banks expected to be allowed to open branches in the free trading zones this year.

Officials at the People's Bank of China said an increasing number of foreign banks have expressed interest in expanded operations in coastal zones.

The expansions are part of an overall burst of foreign bank activity in China.

Forty of the 50 largest banks in the world have opened representative offices in China and 10 other banks have formally applied to establish similar foot-holds.

Officials at the People's Bank of China said such offices provide a valuable two-way channel for exchange of information between the Chinese financial sector and its foreign counterparts.

"Our experience in the past five years shows that representative offices are indispensable in carrying out China's new open economic policies," said one bank officer.

Representative offices are prohibited from engaging in regular banking services in China, but branch offices are allowed to conduct financial transactions.

From 1979 through 1984, the People's Bank of China, central bank for the country, has authorized establishment of 122 representative financial offices in China, including 69 banks, three security and 10 insurance companies.

The offices, centered primarily in Beijing and Shanghai, represent 18 countries, including the United States, Western Europe, Singapore and Hong Kong, and Australia.

Some of the smaller foreign financial institutions are owned by Overseas Chinese.

CSO: 4020/130

FINANCE AND BANKING

ZHEJIANG RURAL INSURANCE BUSINESS INCREASES

OW230817 Beijing XINHUA in English 0657 GMT 23 Feb 85

[Text] Hangzhou, 23 February (XINHUA)--More than one-fourth of China's 4 million rural families who have insured their property are in Zhejiang Province, according to Huang Changhuan, deputy manager of the Zhejiang branch of the People's Insurance Company of China.

The province's 1.3 million peasant families have insured property valued at 3.6 billion yuan. Total insurance volume in Zhejiang's rural areas reached 9.7 billion yuan.

Huang attributed this to various responsibility systems linking production output with personal benefits which have boosted the rural economy in Zhejiang, one of China's most densely-populated and economically developed areas.

He said the per capita income of peasants in Zhejiang last year was 419 yuan, above the national average. Many households with an annual income over 10,000 yuan have taken out insurance.

Huang said premiums were very low, between 130 yuan and 190 yuan on 10,000 yuan for 5 years, recouping the premium in that time.

In Zhuji and Yinxian Counties, some 70 percent of rural families have insured property.

The company also insures rural industrial and commercial enterprises, automobiles, ships, livestock and poultry.

Last year the company paid out 11 million yuan on 16,000 claims for losses by fire, flood, rain and snow, accounting for over 60 percent of total premium.

CSO: 4020/124

FINANCE AND BANKING

BRIEFS

BEIJING INSURANCE BUSINESS INCREASES--Beijing, 25 February (XINHUA)--Beijing residents took out insurance policies worth 19 billion yuan last year, about 30 percent more than in 1983, according to the local insurance company. By the end of last year, 6,148 businesses and 130,000 families in the capital had insured their assets and property, which made up 71 percent of all property eligible for insurance. About 55 motor vehicles and the lives of 94,000 people were also insured. The Beijing branch of the people's insurance company earned 48,190,000 yuan last year, a 50 percent increase over 1983. The Beijing company offered nine new types of cover last year, including insurance on crops of watermelons and chicken-raising. It also insured the Chinese delegation to the 1984 Olympic Games. About 15,170,000 yuan was paid out for damage caused in 4,280 accidents. [Text] [Beijing XINHUA in English 0855 GMT 25 Feb 85 OW]

CSO: 4020/124

INDUSTRY

GANSU SECRETARY ADDRESSES RURAL, ENTERPRISE WORK CONFERENCE

HK141520 Lanzhou Gansu Provincial Service in Mandarin 0430 GMT 13 Feb 85

[Text] The provincial conference on rural work and work concerning township and town enterprises, which concluded in Lanzhou yesterday, proposed target measures in order to ensure a great increase in rural per capita new income and a great development of township and town enterprises.

With a view to invigorating Gansu's economy, the provincial CPC Committee put forward: It is necessary to double peasants' per capita net income throughout the province in 5 years and to make it reach 426 yuan by 1988. The township and town enterprises' gross output value should amount to 3 billion yuan. We must ensure that peasants' per capita new income throughout the province this year is 39 yuan. We must work hard to increase it to 50 yuan. The township and town enterprises' gross output value must sharply increase to 520 million yuan.

On the basis of studying this year's Document No 1 of the central authorities, the 7-day provincial conference on rural work and work concerning township and town enterprises did well in implementing this objective of struggle in prefectures and countries and at all other levels. The comrades attending the conference felt that the tasks are specific, the duties defined, there is pressure, and confidence has been strengthened.

At the conclusion of the conference, Li Ziqi, secretary of the provincial CPC Committee, spoke about how to achieve this aim. Li Ziqi emphasized that this year's Document No 1 of the central authorities is the continuation and development of the party's policy on enriching the people in their rural areas and is of extremely important guiding significance for doing well in the second step of rural reform and for speeding up rural commodity production. The thrust of Document No 1 of the central authorities is readjustment, transformation, and relaxation. This is also the key point of rural work this year. This therefore demands that leading cadres at all levels pay attention to eliminating the leftist influence and further emancipating their minds. In light of our province's current situation, we must get rid of the ideological burden that we are not self-sufficient in grain and must establish the viewpoint of a commodity economy. We must get rid of the burden that the conditions for production are poor and must establish the concept of fostering strong points, eliminating weak points, and allowing the further development of the economy. We must get rid of the ideological burden of purely relying on the state and must vigorously strengthen the concept of local economic vitality.

Li Ziqi said the tasks in all rural areas throughout the province are fairly arduous this year. All prefectures must use their main energy to grasp measures and implementation. He demanded: It is necessary to lay stress on grasping four things well so as to strive for a relatively big breakthrough. These four things are: reforming the rural industrial structure and speeding up the return of arable land to forest zones, doing well in transforming grain to grass and the necessity of a great development in livestock breeding, the necessity of a leap forward for township and town enterprises, and vigorously developing the tertiary industry.

Li Ziqi also demanded that cadres at all levels learn how to apply the law of value to guide work, fully use the market regulation measures to speed up the rural economic development, understand the overall situation in the urban and rural economy, suit the new situation in the development of the commodity economy, carry out reform, bring forth new ideas, and open up a new path for advance.

CSO: 4006/410

INDUSTRY

HUNAN GOVERNOR SUPPORTS FAMILY-OPERATED INDUSTRY

OW181158 Beijing XINHUA Domestic Service in Chinese 0138 GMT 15 Feb 85

[Newsletter by XINHUA reporter Wen Boqi: "The Governor's Visit to a Peasant-Operated Smeltery"--XINHUA headline]

[Excerpts] Changsha, 15 February (XINHUA)--Despite snowy and chilly weather on 16 January, Liu Zheng, governor of Hunan, and comrades of provincial departments concerned paid a special trip to Daxianping Village of Bolin Township in Yongxing County to visit a small smeltery operated by two brothers, Li Jiangxiang and Li Korui.

Li Jiangxiang, owner of the smeltery, was in his 40's. Dressed in a business suit, he warmly ushered the visitors into his spacious, two-story red brick building. In the living room of his house were sofas, a refrigerator, a washing machine, a recorder, a 20-inch color television set, and other things. Somebody said jokingly: "Li Jiangxiang's living conditions are better than our governor's."

While visiting Li Jiangxiang's smeltery, the governor asked: "What do you smelt? What kind of raw materials do you use?"

Li replied: "We recycle waste materials factories and hospitals in cities discard. During the past 4 years, we have sold to the state 23 metric tons of copper, 10 metric tons of aluminum, 4 metric tons of lead, 0.4 metric tons of tin, and 0.3 metric tons of silver. We have also produced some gold."

When asked how much money has has made, Li Jiangxiang became hesitant. But the governor encouraged him, saying: "It is glorious to work hard and become affluent. You need not be afraid of showing your wealth. The party's policies of helping people become rich will never change." With such assurances, Li Jiangxiang told the visitors that he made a net profit of 15,000 yuan last year.

Li Jiangxiang said to the governor: "It is very hard to obtain raw materials. Some big factories will not sell us the slag and waste liquid containing rare metals. They would rather pour them into the river."

The governor said: "The county government should help you solve this problem. If you know which unit or factory has the waste products you need, you can

prepare a list and give it to the county government. You may also cooperate with the county to set up a company to take charge of the supply of raw materials. If the county government is involved, you will not be rejected by the big factories." As soon as the governor finished, Li Wenji, secretary of the Yongxing County Party Committee, said: "That is a good idea. The county government will give you help. I will take care of this matter after I go back."

During the evening when the governor and other comrades in charge of economic affairs were discussing how to assist rural enterprises and the masses to develop the local mineral resources, the governor stressed: We should never look down upon the family-operated industry. In accordance with the principle of voluntary participation and mutual benefit, we should also guide the peasants to set up establishments integrating production, supply, and marketing. Comrade Liu Zheng added: There are now far too few rural cadres who understand industrial or commercial operations. Our counties should select some mainstay cadres from their industrial and commercial enterprises and send them to various townships and towns to reinforce their leadership. We should honestly carry out the central authorities' regulations and strictly forbid the practice of transferring and evening up the resources of rural and family-operated enterprises.

CSO: 4006/410

INDUSTRY

HAINAN TECHNOLOGICAL TRANSFORMATION FUNDING

HK111209 Haikou HAINAN RIBAO in Chinese 20 Jan 85 p 1

[Report by Wang Jingqin [3769 6875 2953]: "Hainan Island to Set Aside Loans of 208 Million Yuan for Technological Transformation of Industrial and Transport Enterprises"]

[Text] In order to put an end to the backwardness of enterprises at the technological level, our region will this year set aside loans of 208 million yuan for systematically carrying out technological transformation in industrial and transport enterprises. This was made public at the Hainan Regional Work Conference on technological transformation of industrial and transport enterprises, which ended here yesterday.

Last year the region's industrial and transport enterprises invested 77.58 million yuan in technological transformation of 165 projects, and 116 of them have been completed and put into operation, achieving better economic results. Nevertheless, the backwardness of the region's industrial and transport enterprises in equipment and technology has not yet been thoroughly brought to an end. In order to make better use of new equipment, technology and expertise and to raise the quality and competitiveness of the region's industrial and transport enterprises, the Hainan Regional Economic Committee and the Hainan Industrial and Commercial Bank cosponsored this work conference. Present at the meeting were responsible comrades of the economic committee and finance bureau of Hainan Region, Haikou City branch of the Bank of China, and the Hainan Region branch of the industrial and commercial bank.

In order to bring into full play the economic results of credit loans, the meeting decided that in making investment in technological transformation this year, priority should be given to projects which can be put into operation in a short time and can achieve better economic results, which involves 89 key projects of 71 enterprises, including plastic injection machines in the Hainan Electronics Company, a high pressure boiler for producing artificial crystal in the Hainan Electronics Company, a multipurpose steel press in the Qionghshan County printing house, air-jet looms in the Chengmai County textile mill, and a production line for acrylic blankets in the Wanning County textile mill. Enterprises engaged in technological transformation will be extended loans after they submit detailed plans to the regional people's government or the regional economic committee for approval. Yao Wenxu, secretary of the regional CPC committee, attended and spoke at the meeting.

CSO: 4010/95

INDUSTRY

FOOD INDUSTRY TECHNOLOGY DEVELOPMENT CORPORATION

OW170340 Beijing XINHUA in English 0249 GMT 17 Feb 85

[Text] Beijing, 17 February (XINHUA)--The State Economic Commission has established a food industry technology development corporation here.

Approved by the State Council, the establishment of the corporation is part of the effort to fulfill a 20-year program to make the food industry a major economic sector producing foodstuffs worth 300 billion yuan per annum by the year 2000.

China's food industry output value now accounts for 11 percent of the country's total industrial output value. The development program will bring the proportion to 15 percent.

The corporation will undertake to develop basic raw materials, study the multiple utilization of resources, establish new trades and develop new products, conduct scientific research, set up pilot plants to popularize new technology, import advanced technology and equipment, and organize joint ventures, co-production and compensation trade, a corporation official said.

It will also undertake to train personnel and open up new markets, he added.

The past 5 years have seen a rapid growth of China's food industry. Many traditional and local foodstuffs have been revived. The number of food processing factories has risen by 50 percent, reaching more than 60,000 nationwide, while their employees have increased by 40 percent to almost 3 million.

But China's food industry is still very backward technologically, the corporation official said. Most of the products are processed with dated equipment or by manual labor, especially in rural areas. To change the situation, he said, advanced foreign technology and equipment will be introduced.

A number of joint ventures for food processing have been established in Beijing, Shanghai and Guangzhou with firms from the United States and Japan.

CSO: 4020/122

INDUSTRY

ZHEJIANG SCORES INCREASE IN INDUSTRIAL POWER

OW020902 Beijing XINHUA in English 0822 GMT 2 Mar 85

[Text] Hangzhou, 2 Mar (XINHUA)--Swift and efficient responses to market demand helped make Zhejiang Province China's second-largest rural industrial power last year, according to the provincial agricultural department.

Zhejiang's 100,000 township-run factories manufactured goods worth 15 billion yuan (about U.S.\$540 million) in 1984, a jump of nearly 50 percent over the year before. The increase boosted the east China province from eighth place among rural industrial producers, surpassing the more established economic centers of Shandong, Anhui, Guangdong and Shanghai, and ranking it second only to neighboring Jiangsu.

The rural factories accounted for a quarter of Zhejiang's total industrial and agricultural output and 57 percent of its rural production value.

In all, 1,532 new products were developed last year, with some breaking into the international market, an official said. Many factories were able to retool within one day to make urgently-needed products.

Timely information on market demand was crucial to the province's success, he said.

Rural factories there have set up 339 information offices, and now deploy 100,000 sales and purchasing agents to areas throughout China to gather market information. Many local agents have also been hired to provide data on specific regional conditions.

The moves have paid off in increased sales. One silk mill in Shaoxing County has established retail counters in seven department stores in big cities including Beijing, Chongqing, Luoyang and Xian. Salespeople there are required to forward business reports to the home office by telephone every 3 days.

Many rural factories are now cooperating with colleges, research institutes and large urban factories in developing new products.

Last year, 1,108 urban engineers and experts were hired by township-run factories as part-time advisers.

Also in 1984, 726 workers' schools were opened and many workers were sent to colleges for technical training.

Cooperation among township-run factories also helped them adapt to market changes, the official said.

Last year 4,845 joint businesses involving about 34,000 factories were set up. The partners shared business information, technology, production and storage facilities, transport and sales networks.

CSO: 4020/133

INDUSTRY

SURVEY OF PRC NITROGENOUS FERTILIZER INDUSTRY

Beijing JINGJI DIAOCHA [ECONOMIC SURVEY] in Chinese No 2, Jan 83 pp 1-11

[Article by Liu Wenji [0491 2429 1015]: "A Survey of the Small-Scale Nitrogenous Fertilizer Industry in China"]

[Text] I. The History and Current Situation of the Small-Scale Nitrogenous Fertilizer Industry in China

China's small-scale nitrogenous fertilizer industry was born in 1958. China had only five chemical fertilizer plants located in Jilin, Dalian, Nanjing, Lanzhou and Taiyuan before 1958. They mainly produced ammonium sulfate, ammonium nitrate and a small amount of urea. Each of the plants had an annual production capacity of 20,000 to 50,000 tons of synthetic ammonia. Total output in 1958 was 243,000 tons, of which 194,000 tons (pure nitrogen equivalent) was agricultural chemical fertilizer. These plants were considered large at that time. Later, we imported large-scale equipment [with an annual output capacity] of 300,000 tons and the formerly large fertilizer plants came to be known as medium-sized plants. The small-scale nitrogenous fertilizer plants had a small production scale and equipment capacity compared to the large-scale nitrogenous fertilizer plants at that time. The design capacity of each small-scale fertilizer plant in the beginning was only 800 tons of synthetic ammonia per year. Together with some of the small-scale phosphorous fertilizer plants, they became known as "the small-scale nitrogenous fertilizer industry." Twenty-two years have passed since the birth of the small-scale nitrogenous fertilizer industry in 1958, and the average design capacity of a synthetic ammonia plant has grown from the original 800 tons to 5,000 or 10,000 tons or more. China had a total of 1,539 small-scale nitrogenous fertilizer enterprises at the end of 1979. After a preliminary readjustment, about 1,400 of them remained in production at the end of 1980, with a total synthetic ammonia output capacity of more than 9 million tons. Small-scale nitrogenous fertilizer plants produced 8,205,400 tons of synthetic ammonia in 1980, equal to 54.7 percent of total national output of synthetic ammonia (see Table 1 for a historical outline of their development).

According to incomplete statistics, state investments and technical expenses in the small-scale nitrogenous fertilizer industry since 1958 totalled more than 8 billion yuan. The nation's small-scale nitrogenous fertilizer enterprises had more than 8.8 billion yuan in fixed assets and 750,000 employees

Table 1. Developmental History of the Small-Scale Nitrogenous Fertilizer Industry in China.

年 份 (1)	氨总产量(万吨) (2)	小厂产量(万吨) (3)	占总产量% (4)	小厂总能力 (万吨) (5)	当年投产厂数 (个) (6)	累计厂数 (个) (7)
1958	24.28	0.10	0.41		1	1
1959	33.41	0.13	0.39			1
1960	43.98	0.27	0.68		22	23
1961	30.41	1.55	5.10		12	35
1962	48.25	2.81	5.82		7	42
1963	64.39	4.67	7.25		4	46
1964	93.11	8.72	9.37		9	55
1965	148.40	18.34	12.36	29.50	32	87
1966	212.39	40.58	19.11	50.00	63	150
1967	152.34	40.31	26.46		47	197
1968	104.69	37.04	35.38		41	238
1969	161.26	57.83	35.87		70	308
1970	244.73	100.04	40.88	190.00	147	455
1971	310.00	134.93	43.53	237.30	174	629
1972	395.61	197.14	49.83	321.30	191	820
1973	474.33	258.93	54.59	375.78	141	961
1974	452.46	245.13	54.18	432.29	117	1,078
1975	607.60	354.42	58.33	520.50	121	1,199
1976	618.52	368.10	59.51	603.18	120	1,319
1977	870.42	487.99	56.06	701.25	131	1,450
1978	1,183.46	648.45	54.79	778.40	83	1,533
1979	1,348.12	728.41	54.03	874.00	6	1,539
1980	1,498.87	820.54	54.70			

Key:

- | | |
|---|--|
| 1. Year | 5. Total capacity of small plants (10,000 tons) |
| 2. Total ammonia output (10,000 tons) | 6. Number of plants going into operation during current year |
| 3. Output from small plants (10,000 tons) | 7. Total number of plants |
| 4. Output from small plants as percent total output | |

Sources: Ministry of Chemical Industry, QUIHUA YANJIU [Planning Research] No 34 p 2 and State Statistics Bureau, STATISTICAL DATA FOR 30 YEARS.

at the end of 1979. They produced a total of 45,511,500 tons of synthetic ammonia from 1958 to 1980. If we calculate the value of each ton of chemical fertilizer as 200 yuan, the total value of output would be 29.132 billion yuan. Losses over the 5-year period since statistics on the small-scale fertilizer industry became available in 1976 totalled 3.029 billion yuan (see Table 6 for details).

Small-scale nitrogenous fertilizer production has developed fairly rapidly in China over the past 22 years and has played an important role in agricultural development in our country. This has, however, come at a substantial cost. Deficits reached 970 million yuan in 1976. According to estimates by comrades in the Ministry of Chemical Industry Planning Bureau, total deficits would exceed 4.5 billion yuan if the deficits from 1966 to 1975 are included. There have been substantial drops in deficit conditions and [energy and materials] consumption following preliminary readjustments over the past 2 years, but the deficits still remain. Many areas still must provide large subsidies and the consumption of the "two coals" (raw coal and fuel coal) remains above 3 tons [per ton of ammonia] in many enterprises. The extremely poor conditions in some enterprises have caused the costs per ton of ammonia to be as high as 600, 700 or even 1,000 yuan.

II. The Main Problems in the Small-Scale Nitrogenous Fertilizer

Industry at the Present Time

There are two main problems in the small-scale nitrogenous fertilizer industry at the present time. One is related to product varieties and quality, while the other is related to costs.

1. Problems in product varieties and quality

The main shortcomings for carbon ammonium, the primary product, are:

- 1) A fairly low content of effective components, only around 17 percent (Table 2 compares the qualities of other types of nitrogenous fertilizer products).

Table 2. Comparison of the Components Contained in Each Type of Nitrogenous Fertilizer

(1) 化肥名称	(2) 碳 铵	(3) 氨 水	(4) 尿 素	(5) 硫 铵	(6) 硝 铵	(7) 浓氨水	(8) 石灰氮	(9) 氯化铵
(10) 含氮量%	17	17	46	21	34	82.3	20	25

Key:

- | | | |
|-----------------------|---------------------------------|------------------------|
| 1. Type of fertilizer | 5. Ammonium sulfate | 8. Lime nitrogen |
| 2. Ammonium carbonate | 6. Ammonium nitrate | 9. Ammonium chloride |
| 3. Aqueous ammonia | 7. Concentrated aqueous ammonia | 10. Content in Percent |
| 4. Urea | | |

Source: Central Supply and Marketing Cooperative, "Compendium of Systems of Regulations Related to Chemical Fertilizer Management"

2) Unstable chemical qualities that make them prone to volatilization at temperatures above 20°C (Table 3 shows losses due to volatilization).

Table 3. Natural Volatilization of Ammonium Carbonate at Temperatures of 2°C ± 4°C and 24°C ± 1°C

(1) 经 过 天 数	(2) 碳 铵 在2°C ± 4°C条件下	(3) 经 过 天 数	(4) 碳 铵 在24°C ± 1°C条件下
1天	98.05 %	1天	93.08 %
8天	97.81 %	4天	65.65 %
7天	96.98 %	8天	29.18 %
10天	96.89 %	13天	9.79 %
14天	95.73 %	20天	0.66 %

Key:

- | | |
|---|--|
| 1. Number of days passed | 3. Number of days passed |
| 2. Ammonium carbonate under conditions of 2°C ± 4°C | 4. Ammonium carbonate under conditions of 24°C ± 1°C |

Source: XIAO ANFEI SHEJI [Small Nitrogenous Fertilizer Plant Design] No 1, 1980.

3) A high water content (5 percent) makes the fertilizer prone to clumping, which inconveniences the peasants during storage, shipping and application.

4) A low utilization rate. According to measurements, the proneness to volatilization and clumping in combination with inappropriate application methods and a poor grasp of application seasons makes the actual utilization rate only about 27 percent (for surface and spreading applications). Table 4 compares the utilization rates of different types of chemical fertilizers.

Table 4. Comparison of Nitrogen Utilization Rates for Ammonium Carbonate, Urea and Ammonium Sulfate

(1) 化 肥 品 种	(2) 施 肥 方 法	
	(3) 表 施 (%)	(4) 深 施 (%)
(5) 碳酸氢铵	27	51.6
(6) 尿 素	35~40	46.5
(7) 硫 铵	30	(8) 35以上

Key:

- | | |
|----------------------------------|-------------------------------|
| 1. Fertilizer variety | 5. Ammonium hydrogencarbonate |
| 2. Application method | 6. Urea |
| 3. Surface application (percent) | 7. Ammonium hydrogencarbonate |
| 4. Deep application (percent) | 8. 35 percent and up |

Source: XIAO ANFEI SHEJI No 1, 1980.

5) High packaging and shipping costs. Because urea makes up only 37 percent of the effective components, carbon ammonium packaging and shipping costs are 2.7 times those for urea.

6) Serious losses and waste. According to statistics from supply and marketing departments, the package bursting rate reached 20 to 30 percent several years ago before the problem of packaging was solved. Losses from volatilization caused by burst packages were equivalent to about 5 million tons per year, about one-fourth total output from small-scale nitrogenous fertilizer plants at that time. The losses are even greater if we include inappropriate application and other factors. The general unwillingness of supply and marketing departments to handle sales of small-scale nitrogenous fertilizer and the general unwillingness of the peasants to use it are mainly due to the limited product varieties and poor quality of small-scale nitrogenous fertilizer.

2. Cost problems

Excessively high costs due to various reasons are found in the small-scale nitrogenous industry. Although there have been substantial declines in the cost of small-scale nitrogenous fertilizer, they still are 2 to 3 times higher than in large fertilizer plants and 50 percent higher than in medium-sized plants (see Table 5 for details on national averages).

Table 5. Comparison of Primary Economic Indices for Large, Medium and Small-Scale Nitrogenous Fertilizer Plants in 1980

类 (1) 别	原料种类 (2)	消耗水平 (吨氮) (3)	(4) 总 能 耗 (百万大卡/吨氮)	电 (5)耗 (度)	吨氮成本 (元/吨) (6)	盈 (7) 亏 (亿元)
(8)大氮肥	(11)天然气	1,020m ³	1,018	4 ~ 6	165	+6.3
(9)中氮肥	(12)石油/机焦	884/1,337kg	1,650	1,442	327.3	+3.9
(10)小氮肥	(13)无烟煤	2,394kg	2,115	1,506	415.7	-0.85

Key:

- | | |
|--|---|
| 1. Category | 8. Large-scale nitrogenous fertilizer industry |
| 2. Type of raw material | 9. Medium-scale nitrogenous fertilizer industry |
| 3. Consumption levels (per ton of nitrogen) | 10. Small-scale nitrogenous fertilizer industry |
| 4. Total consumption (million kilocalories/tons of nitrogen) | 11. Natural gas |
| 5. Electricity use (kWh) | 12. Naptha and coke |
| 6. Cost per ton of nitrogen (yuan/ton) | 13. Anthracite coal |
| 7. Profits (100 million yuan) | |

Source: Statistical data on chemical fertilizer from the Ministry of Chemical Industry.

Why are costs so high in the small-scale nitrogenous fertilizer industry? The main cause of the problem is high [energy and materials] consumption (Table 6 shows consumption for several years). The reasons for high consumption include problems in industrial management, enterprise management and production technologies.

Table 6. Conditions of Completion for Primary Economic Indices in China's Small-Scale Nitrogenous Fertilizer Industry Since 1979

(1) 年份	(2) 厂 数	合成氨 产(3)量 (万吨)	(4) 消 耗 水 平		合成氨成本 (7) (元/吨)	(8) 盈亏厂数		净盈亏 (11) (亿元)	(12) 质 量 合格率 (%)
			两 煤 耗 (5)(公斤)	(6) 电耗 (度)		(9) 盈(个)	(10) 亏(个)		
1976	1,319	368.10	4,184	2,239	678.72	161	1,007	-9.73	
1977	1,450	487.99	3,766	2,005	622.00	162	1,123	-9.50	
1978	1,533	648.45	3,257	1,765	489.55	336	1,066	-8.11	
1979	1,539	728.41	2,740	1,594	450.85	339	1,033	-4.10	98.5
1980	1,400	820.54	2,394	1,506	415.70	594	815	-0.85	99.4

Key:

- | | |
|--|--|
| 1. Year | 7. Cost of synthetic ammonia (yuan/ton) |
| 2. Number of plants | 8. Factories with profits and losses |
| 3. Synthetic ammonia output
(10,000 tons) | 9. Number of profitable factories |
| 4. Consumption levels | 10. Number of factories with losses |
| 5. Consumption of raw coal and
fuel coal | 11. Net profits or losses |
| 6. Electricity use (kWh) | 12. Rate meeting quality specifica-
tions (percent) |

Source: Statistical data on chemical fertilizers from the Ministry of Chemical Industry

First, in a macro perspective, there are four main problems:

The first problem is caused by irrational deployments. Because many enterprises did not have the basic prerequisites for building a plant, there were no guarantees for the needed raw materials, fuel, water or electricity. Many enterprises were built in mountainous areas far from rail lines. The Lawawan Chemical Fertilizer Plant in Nei Monggol, for example, has no local source of raw materials and no guaranteed electricity supply. The costs per ton for shipping raw coal alone are 24 yuan higher than in other plants. This situation can be found in every province, and is especially acute in the small-scale nitrogenous fertilizer plants that were constructed in the late 1970's. The problem can even be found in some medium-sized chemical fertilizer plants that were built in 1969 and 1970.

The second problem is caused by the overly small scale of the enterprises. The design capacity of small-scale nitrogenous fertilizer industries in China was very small in the beginning, only 700 to 800 tons/year. It later grew to

3,000 and 5,000 tons/year. If we consider the concepts of technical economics, a large scale is most appropriate for chemical industry enterprises because the average costs of fixed assets per unit of product decline as the scale increases. For investments, because the sum invested in equipment is the equipment design capacity to the 0.7 power (see HUAGONG GUIHUA YANJIU [RESEARCH ON PLANNING IN THE CHEMICAL INDUSTRY] No 17, 1979), there is a relative reduction in the average investment per unit of product as the scale increases. Enterprises on a larger scale can more easily adopt advanced technologies, so labor productivity is higher. Generally speaking, therefore, enterprises are economically rational only after reaching a certain scale. The investments per unit are higher and waste is greater in small-scale enterprises. Consumption is higher because much thermal energy is lost since it cannot be recovered or has no value if recovered. There is no way, for example, to recover and utilize waste heat from a small 1,260 mm diameter kiln. A small amount can be recovered from 2,260 mm diameter kilns, while fuel preparation chambers of the kilns used in large and medium-sized chemical fertilizer plants can fully recover thermal energy and utilize waste heat. An overly small enterprise scale, therefore, is very uneconomical. Most of the small-scale nitrogenous fertilizer plants now operating at a loss are these small 3,000 to 5,000 ton [annual capacity] plants. There were still 378 of these 3,000 ton plants at the end of 1978. This is 26 percent of the total number of plants during that year, but they contained only 13.8 percent of total capacity in the national small-scale nitrogenous fertilizer industry. Furthermore, over 80 percent of them were operating at a loss (averaging 200,000 yuan per year in each plant).

The third problem is waste caused by the rate of development. Table 1 shows that, although the small-scale nitrogenous fertilizer industry was born in 1958, there were just 150 plants by 1966 with total output of only 405,800 tons, equal to 19.11 percent of total national synthetic ammonia production. Small-scale nitrogenous fertilizer industries developed very quickly from 1970-1978, with an average of 153 new plants being built each year. The number of enterprises leapt to more than 1,533 [as published], 102 times the number in 1966. Such a rapid rate of growth was hard to bear, whether in terms of equipment manufacturing capacity or shipping capacity, or in terms of allocations of raw materials, capital, technical forces and managerial personnel. Such precipitous action inevitably meant inadequate preparation in all areas. Supplies of raw materials, fuel and electricity could not be guaranteed, nor could the demand for equipment and parts be met. The equipment was crude, complex and of several types. This created a lot of aftereffects in the development of small-scale nitrogenous fertilizer, caused enterprises to produce erratically and increased costs and consumption.

The fourth problem was created by irrational policies. There has been a policy of "higher subsidies for higher deficits, lower subsidies for lower deficit, no subsidies for no deficits, and handing profits over to higher authorities" in the small-scale nitrogenous fertilizer industry for several years. This policy in reality encouraged backwardness, losses and eating out of the big common pot. Higher costs and consumption were legitimate under this type of policy. Enterprises did not have to be concerned with consumption and cost levels, so there was no initiative for improving management and administration. This led to ever-increasing consumption in small-scale nitrogenous fertilizer production.

Moreover, the differences in raw materials and technical methods used in the chemical fertilizer industry mean that there are also differences in their investments, consumption and results. Generally speaking, the results are best when chemical fertilizer industries use natural gas, followed by petroleum and coal. Consumption inevitably is higher when coal is used as a raw material than when natural gas is used, but coal is the primary raw material in China's small-scale nitrogenous fertilizer industry. It can be said, therefore, that the high costs of small-scale nitrogenous fertilizer are strongly related to the raw materials used.

Second, in a micro perspective, there are five major problems:

The first problem is that of leading organs. Small-scale nitrogenous fertilizer industries are located in rural and mountainous areas. The scientific and educational levels of cadres are low and their many nonprofessionals. Many leading cadres do not understand industry, much less the chemical industry. This is a major reason for the chaotic management and low levels in China's small-scale nitrogenous fertilizer enterprises.

The second problem is relatively poor production conditions. In the part, because we advocated establishing small plants everywhere, they did they could, and the result was production conditions far inferior to those in medium-sized plants. One thing is poor quality raw materials. Some 45 percent of the small-scale nitrogenous fertilizer plants use coal briquets as a raw material (see Table 12), while most medium-sized plants using coal as a raw material burn coke. Another thing is a lack of guaranteed electricity supplies for the plants, and so on.

The third problem is the low technical levels of employees. Some of the employees in China's small-scale nitrogenous fertilizer plants are youth from towns, while others are part-industrial part-agricultural personnel from rural areas. This is especially true of the employees who entered existing and newly-built plants after 1972. They universally have low educational and technical levels. The proportion of part-industrial part-agricultural personnel who are employees of such enterprises is very high in some areas. Examples include Ningxia, where they account for 48 percent, Henan at 75 percent, Guangdong at 34 percent, Shandong at 50 percent, Beijing at 49 percent, Hebei at 42 percent, and so on. There are 223,000 employees in China's small-scale nitrogenous fertilizer industry who are part-industrial part-agricultural employees, equal to 29.7 percent of all employees in the nation's small-scale nitrogenous fertilizer plants. These employees have low educational levels, and some are even illiterate. They cannot be satisfied in their work, but must home right after they get off work to farm. Despite this, they often are essential in some enterprises. They cannot be dismissed or transferred at the present time because this would cause many problems for everyone.

The fact that the enterprises were set up so quickly means that the employees in many enterprises were never given formal training or simply took up their posts after simple short-term training. This has caused continual accidents and production has been abnormal for a long period. Output is low and consumption high.

The fourth problem is the poor levels of equipment management and technical management. Technical management and equipment management are the two most important management links in chemical industry production. If technical indicators are strictly and accurately controlled and the equipment is operating normally, then production basically will be stable and more and better product varieties, output and product quality will be guaranteed. The substantial drop in consumption and costs in small-scale nitrogenous fertilizer enterprises was achieved only after the Ministry of Chemical Industry concentrated on management in these two areas and raw materials management in recent years. The current problem is that although enterprises generally have set up and perfected all types of management systems, they cannot be strictly implemented because the basic work was done poorly or because of differences in design, equipment types, technical levels, management levels and so on. This means that some enterprises still have been unable to reach the standards set by the Ministry of Chemical Industry. The 4 ton rapid boiler at the Linhe Chemical Fertilizer Plant [Nei Monggol] frequently burns dry and has never been fixed. This plant has a gas production capacity of 10,000 tons but its compressors and synthesizing tower have a capacity of only 5,000 tons. Many other enterprises resemble the Linhe Chemical Fertilizer Plant. There are still problems of "a large horse pulling a small cart or a small horse pulling a large cart" [mismatched equipment]. The mismatch of boiler, compressor and tower means that part of the enterprise's equipment is underutilized while other equipment may have excessive loads. This makes it impossible to achieve economical operation and has prevented declines in consumption levels for a long period.

The fifth problem concerns chaotic financial and cost management, and is seen primarily in the form of disorganized cost apportionment. Small-scale nitrogenous fertilizer plants do not have regular sources of capital, so it seems that all expenses of the enterprises should be tacked on to the cost. The financial policy of "more subsidies for more losses" also has encouraged enterprises to haphazardly tack on costs or add charges. Added to poor management in all areas, this has caused a loss of cost controls, a lack of concern for spending and "eating from the big common pot" in management.

III. Some Opinions on Developing the Small-Scale Nitrogenous Fertilizer Industry

The series of problems like high consumption, low quality and deficits in the small-scale nitrogenous fertilizer industry have caused some comrades to call for them to be closed and for us to depend on large and medium-sized chemical fertilizer plants and on imports to solve China's chemical fertilizer problems. I feel that this is unfeasible. After investigating ways to solve this problem, I feel that we must consider the following factors:

1. Continued population growth in China requires us to increase grain output by 6 to 8 billion jin of grain each year to meet the new demand.

Chemical fertilizers have obvious results in agricultural development. Past experience shows that the demand for chemical fertilizers for agriculture will continue to increase (Table 7 shows China's chemical fertilizer resources and consumption over the past). If we correct the figures to applications of 40

jin of nitrogenous fertilizer, 20 jin of phosphorous fertilizer and 8 jin of potassium fertilizer per mu of land (these proportions are the standards considered to be reasonably appropriate for China's soil conditions by agricultural science departments) on our current area of 1.5 billion mu of cultivated land, then annual national demand will amount to about 80 million tons of nitrogenous fertilizer, about 40 million tons of phosphorous fertilizer and about 12 million tons of potassium fertilizer. Calculated at this level of fertilizer applications, China's current output could only satisfy 80 percent of the demand for nitrogenous fertilizer, 13.5 percent of the demand for phosphorous fertilizer and 0.002 percent of the demand for potassium fertilizer (Tables 8 and 9 compare fertilizer application levels in China and other countries over a period of years).

Table 7. Chemical Fertilizer Resources and Consumption in China, 1950-1980
(units: 10,000 tons)

(1) 年 份	总 (2) 资 源			总 (6) 销 售 量				
	(3) 总资源	国 产 (4)	进 口 (5)	合 (7) 计	氮 (8) 肥	磷 (9) 肥	钾肥 (10)	复合肥 (11)
1950	18.6	7.0	11.6					
1955	119.7	38.0	81.7	117.4	105.7	11.7		
1960	332.1	207.0	125.1	316.4	221.2	86.9	8.1	0.2
1965	1,150.1	876.6	273.5	972.0	633.4	337.5	0.6	0.5
1970	1,872.9	1,231.0	641.9	1,744.7	1,188.2	549.1	4.5	2.9
1975	3,343.9	2,850.4	493.5	2,415.6	1,564.3	799.0	19.7	32.6
1978	4,948.7	4,215.4	733.3	4,087.5	2,930.5	1,060.8	9.9	86.3
1979	6,055.4	5,215.9	839.5	4,948.3	3,604.8	1,194.5	40.1	108.9
1980	6,777.8	5,804.8	963.0	5,536.0				

Key:

- | | |
|----------------------------------|---------------------------|
| 1. Year | 7. Total sales |
| 2. Breakdown of total resources: | 8. Nitrogenous fertilizer |
| 3. Total resources | 9. Phosphorous fertilizer |
| 4. Domestically-produced | 10. Potassium fertilizer |
| 5. Imports | 11. Compound fertilizer |
| 6. Breakdown of total sales: | |

Source: Ministry of Agriculture, HUAFEI TONGJI ZILIAO [Data on Chemical Fertilizers]

Table 8. Chemical Fertilizer Application in China, 1951-1978

年 (1) 份	项 (2) 目	施 肥 总 量 (3) (万吨)	每 亩 耕 地 平 (4) 均施用量 (斤)	每 亩 播 种 面 积 (5) 平均施用量 (斤)
1951		13.0	0.2	
1955		125.5	1.5	1.1
1960		363.8	4.6	3.2
1965		881.2	11.3	8.2
1970		1,585.1	20.8	14.7
1971		1,814.2	24.0	16.6
1972		2,093.1	27.7	18.8
1973		2,555.3	34.0	22.9
1974		2,405.1	32.1	21.9
1975		2,657.2	35.5	23.7
1976		2,885.2	38.7	25.7
1977		3,192.0	42.9	28.5
1978		4,368.2	58.6	38.8
1979		5,247.6	70.3	47.1

Key:

1. Year
2. Item
3. Total amount applied (10,000 tons)
4. Average amount applied per mu of cultivated land (jin/mu)
5. Average amount applied per mu of sown area (jin/mu)

Source: Ministry of Agriculture, Statistical Data on Chemical Fertilizers

China's domestic chemical and organic fertilizer production comes far from meeting the demand in agriculture, so China has imported an average of more than 6 million of chemical fertilizer each year for the past decade (Table 10 shows imports for several years).

Agriculture in China urgently needs large amounts of chemical fertilizer, but the present domestic production capacity comes far from satisfying the demand, which will continue to expand. This is a primary reason for the continued existence and development of the chemical fertilizer industry, including the small-scale nitrogenous fertilizer industry, in China.

2. Large amounts of chemical fertilizer are imported at high prices.

If we use the current import price ratio of 2.8 yuan Renminbi per \$1.00, the cost of a ton of imported urea is 700 yuan, and is around 800 yuan if we include shipping, administrative and miscellaneous expenses. The domestic selling price is only 450 yuan/ton, however. Importing large amounts of chemical fertilizer inevitably mean substantial foreign trade deficits. Taking

out a small amount of capital from deficit subsidies for technical transformations in small-scale nitrogenous fertilizer plants within China is much more rational than these foreign trade deficits.

Table 9. Fertilizer Application Levels in Several Nations, 1978, 1979

(units: jin/mu)

项(1) 国别(12)	按有效(2)成分计				按我(7)国标准计			
	合(3)计	氮(4)肥	磷(5)肥	钾(6)肥	合(8)计	氮(9)肥	磷(10)肥	钾(11)肥
(13)世界总计	9.1	4.4	2.6	2.1	43.8	21.0	14.4	8.4
(14)加拿大	4.6	2.0	1.8	0.8	22.7	9.5	10.0	3.2
(15)美国	13.3	6.4	3.3	3.6	63.2	30.5	18.3	14.4
(16)印度	3.4	2.3	0.7	0.4	16.5	11.0	3.9	1.6
(17)日本	57.1	18.4	20.0	18.7	273.5	87.6	111.1	74.8
(18)丹麦	34.8	18.8	7.1	8.9	164.5	89.5	39.4	35.6
(19)法国	37.0	13.0	13.0	11.0	178.1	61.9	72.2	44.0
(20)西德	56.2	22.0	14.5	19.7	263.6	104.8	80.6	78.8
(21)罗马尼亚	14.2	7.2	5.9	1.1	71.5	34.3	32.8	4.4
(22)英国	38.3	22.5	5.7	7.9	182.6	107.1	43.9	31.6
(23)南斯拉夫	13.4	6.7	3.4	3.3	64.0	31.9	18.9	13.2
(24)苏联	10.3	4.3	2.9	3.1	49.0	20.5	16.1	12.4
(25)澳大利亚	3.2	0.6	2.3	0.3	16.9	2.9	12.8	1.2

Key:

- | | |
|--------------------------------------|-------------------|
| 1. Item: | 13. World total |
| 2. According to effective components | 14. Canada |
| 3. Total | 15. United States |
| 4. Nitrogenous fertilizer | 16. India |
| 5. Phosphorous fertilizer | 17. Japan |
| 6. Potassium fertilizer | 18. Denmark |
| 7. According to Chinese standards | 19. France |
| 8. Total | 20. West Germany |
| 9. Nitrogenous fertilizer | 21. Rumania |
| 10. Phosphorous fertilizer | 22. England |
| 11. Potassium fertilizer | 23. Yugoslavia |
| 12. Country: | 24. Soviet Union |
| | 25. Australia |

Source: Ministry of Agriculture, Statistical Data on Chemical Fertilizers

Table 10. Fertilizer Imports to China, 1950-1981

(units: 10,000 tons)

年 (1) 份	合 (2) 计	氮 (3) 肥	磷 (4) 肥	钾 (5) 肥	(6) 复 合 肥
1950	11.6	11.6			
1955	81.7	73.4	8.2	0.1	
1960	125.1	118.8	6.0	1.3	
1965	273.5				
1970	641.9	639.2		0.7	2.0
1971	640.4	636.9			3.5
1972	676.2	665.4	3.0	1.8	6.0
1973	628.3	571.5	14.4	5.5	36.9
1974	510.2	441.7	2.1	22.9	43.5
1975	493.5	458.9	2.7	15.7	16.2
1976	458.8	442.1	8.1	2.2	6.4
1977	639.6	546.3	14.9	9.2	69.2
1978	733.3	584.3	34.2	12.5	102.3
1979	839.5	690.8	33.0	41.6	74.1
1980	963.0				
1981	830.0				

Key:

- | | |
|---------------------------|---------------------------|
| 1. Year | 4. Phosphorous fertilizer |
| 2. Total imports | 5. Potassium fertilizer |
| 3. Nitrogenous fertilizer | 6. Compound fertilizer |

Sources: Ministry of Agriculture, Statistical Data on Chemical Fertilizers

Figures for 1981 are estimated

Figures for 1980 from WAIMAO JIANBAO [FOREIGN TRADE REPORT] No. 27, 1980.

3. China's resource conditions, energy resource structures and financial, material and technical levels make existence of the chemical fertilizer industry structure and small-scale nitrogenous fertilizer plants inevitable.

Looking at energy resources, although China has fairly large amounts of labor resources, hydropower resources, coal resources, rocks and sand, it is definitely not rich in other resources in per capita terms. Although natural gas and petroleum are the best raw materials for developing the chemical fertilizer industry, a situation of serious insufficiencies in resource reserves of oil and gas has appeared. The current reserve-extraction ratio for

petroleum has dropped below 15:1, but is generally 30:1 in other countries. The reserve-extraction ratio for natural gas has fallen below 13:1 but is generally 40:1 abroad. It has been estimated that energy resource production in China must grow by an average annual rate of 8 percent to reach a per capita GNP level of \$1,000 by the year 2000 (see JINGJI YANJIU ZILIAO [ECONOMIC REFERENCE DATA] No 102, 1980). It now looks as if this will be extremely difficult. China imported 13 sets of large scale equipment with an annual capacity of 300,000 tons of synthetic ammonia in the mid 1970's. All of them have gone into production and definitely have good results. The technology is advanced and reliable, especially the first 8 sets. Investments could be recovered in 3 years with normal operation. Because of inadequate supplies of oil and gas, however, the two sets in Hunan and Hubei, which were originally planned for using natural gas, were changed over to oil. Moreover, seven of the eight facilities that originally used natural gas (with the exception of Daqing) have been switched over to oil. Output is declining each year in all of the old oil wells, some dropping by as much as 20 to 30 percent a year. This number of new wells cannot make up for the losses from declining output in the old wells. This will make it impossible to develop a large-scale chemical fertilizer industry using oil and natural gas as raw materials if we do not find new oil and gas pools in the next decade. Large-scale chemical fertilizer industries using coal as a raw material require excessive investments, usually 2 or 3 times as much as oil and gas. The technologies are also more complex and there have been no world breakthroughs in some of them yet, so it will be difficult.

Is it possible, then, to develop the medium-scale chemical fertilizer industry? It is possible if the state has sufficient capital and uses it effectively. Medium-scale fertilizer industries are more economical than small-scale ones (consumption is one-fifth to one-third lower than in small-scale industries, and costs are one-third lower (see Tables 5 and 14). The state has limited financial resources at the present time, however, so substantial development is not possible. This is due to the fact that, based on investments of 1,000 yuan per ton of ammonia, 50 to 60 million yuan would be required to build a 50,000 ton scale plant, while construction of a 100,000 ton plant would require 80, 90 or even more than 100 million yuan. It is obvious that depending on the construction of a large number of medium-sized chemical fertilizer plants is rather difficult.

The structure of energy consumption shows that coal is the primary energy resource in China (see Table 11). This means that the chemical fertilizer industry in China must also depend mainly on coal. Small-scale nitrogenous fertilizer industries are easily maintained and developed precisely because they can rely on coal as their primary raw material, especially low-grade coal. Moreover, nearly half the plants obtain raw materials, produce and sell locally. There are no side effects on the soil, and they have the special characteristics of small investments for a single plant, short technological processes, easily-manufactured equipment and a certain amount of production experience (see Tables 12 and 13).

Table 11. Energy Resource Structure in China (1980)

名(1) 称	原(5) 煤	原(6) 油	(7) 天 然 气	(8) 水 力	(9) 合 计
产(2) 量	6.36亿吨 ⁽¹⁰⁾	1.06亿吨 ⁽¹⁰⁾	145亿米 ³ ⁽¹¹⁾	501亿度 ⁽¹²⁾	(10)
(3) 折标准煤	4.536亿吨 ⁽¹⁰⁾	1.56亿吨 ⁽¹⁰⁾	0.176亿吨 ⁽¹⁰⁾	0.215亿吨 ⁽¹⁰⁾	6.487亿吨
(4) 占 比 例	70.4%	23.53%	2.73%	3.34%	100%

Key:

- | | |
|-----------------------------|------------------------------|
| 1. Item: | 7. Natural gas |
| 2. Output | 8. Hydropower |
| 3. Standard coal equivalent | 9. Total |
| 4. Proportion | 10. 100 million tons |
| 5. Raw coal | 11. 100 million cubic meters |
| 6. Crude oil | 12. 100 million kWh |

Table 12. Classification of Raw Materials Used in Small-Scale Nitrogenous Fertilizer Plants

原(1) 料	(2) 块 煤 土 焦	(3) 碳 化 煤 球	(4) 其 它 煤 球	(5) 天 然 气	(6) 重 油	(7) 其 它
(8)使用厂数	691	567	96	75	13	13
(9)百分比%	47.49	38.96	6.6	5.15	0.9	0.9

Key:

- | | |
|------------------------------------|---------------------------|
| 1. Raw material: | 6. Heavy oil |
| 2. Lump coal and locally-made coke | 7. Other |
| 3. Carbonized coal briquets | 8. Number of plants using |
| 4. Other types of coal briquets | 9. Percentage |
| 5. Natural gas | |

Source: HUAGONG GUIHUA YANJIU [Research on Planning in the Chemical Industry] No 15, 1980.

Table 13. Utilization of Local Resources in Small-Scale Nitrogenous Fertilizer Plants

项(1) 目	(2) 原 料 煤			燃 料(6) 煤		
	省(3) 内	本(4) 地	合(5) 计	省(3) 内	本(4) 地	合(5) 计
(7)使用厂数	345	365	710	421	372	793
(8)占百分比	24.33	25.09	49.42	28.93	25.57	54.50

Key:

- | | | |
|---------------------------------|---------------------|------------------------------|
| 1. Item | 4. Obtained locally | 6. Fuel coal |
| 2. Coal used for raw material | 5. Total | 7. Number of factories using |
| 3. Obtained within the province | | 8. Percentage |

Source: HUANGONG GUIHUA YANJIU [Research on Planning in the Chemical Industry] No 15, 1980.

4. The problem of deficits in small-scale nitrogenous fertilizer enterprises can be solved.

It is undeniable that small-scale fertilizer plants definitely have higher consumption and costs. There were serious losses several years ago for various reasons. It must be noted, however, that major changes have occurred and are continuing to occur in small-scale nitrogenous fertilizer production since the "Gang of Four" was smashed. There have been substantial declines in consumption, costs and deficits in the past 2 years (see Table 6). The statistics show that the national average amount of the two coals consumed in small nitrogenous fertilizer plants in 1976 was 4,184 kg per ton of ammonia. Electricity consumption was 2,239 kWh per ton, each ton of synthetic ammonia cost 678.72 yuan, and net losses during that year were 973 million yuan. The consumption indicators had dropped to 2,740 kg, 1,594 kWh and 450.85 yuan by 1978, respectively, and net losses declined to 410 million yuan. The consumption figures fell again in 1980 to 2,394 kg, 1,506 kWh and 415.7 yuan. Moreover, 594 of the plants became profitable enterprises. China's small-scale fertilizer industry had net losses of 85 million yuan after the deficits were offset by profits in 1980. Consumption of the two coals dropped by 42.8 percent, electricity consumption declined 32.7 percent, costs dropped 38.7 percent, and deficits were reduced by 91.30 percent. Some of the small-scale nitrogenous fertilizer plants in many provinces and municipalities have reached the level of medium-sized chemical fertilizer plants using coal and oil as raw materials in terms of overall consumption and costs per ton of ammonia (see Table 14). This shows that the problem of losses in small-scale nitrogenous fertilizer enterprises can certainly be solved through stronger management, readjustment and reorganization.

5. The small-scale nitrogenous fertilizer industry occupies an important position on the chemical fertilizer industry.

Output from small nitrogenous fertilizer enterprises accounted for 44 percent of total national output of nitrogen, phosphorous and potassium in 1979 and for 54.1 percent of national nitrogenous fertilizer output. They produced 44 percent of national chemical fertilizer output and 54.7 percent of nitrogenous fertilizer output in 1980. It is obvious that it would be hard for large and medium-sized chemical fertilizer industries to meet the needs of agriculture and the national economy if small-scale fertilizer plants are shut down while they are contributing such a substantial proportion. The close relationship between agriculture and fertilizer means that doing away with small-scale fertilizer industries in the absence of other raw materials would cause a major decline in agricultural output (each jin of chemical fertilizer increases grain output by an average of 1.5 to 2 jin. Moreover, several billion yuan in fixed assets in the enterprises would be lost.

Furthermore, small-scale nitrogenous fertilizer plants usually occupy a major position in local economies. An example is the Tuyouqi [Tumd Left Banner] Fertilizer Plant in Nei Monggol, which produces 60 percent of the value of output in the industrial system, employs 44.3 percent [of the state sector workforce] and pays one-fifth the taxes for the entire banner. Moreover, the local power, communications, transportation and living service industries have

Table 14. Primary Economic Indicators for January to September, 1980
Some Medium- and Small-Scale Chemical Fertilizer Plants

	(1)	(2)	(3)	(4)	(5)
(8) 厂名	原料(油) (公斤/吨氮)	总能耗 (百万大卡/吨氮)	蒸汽 (公斤/吨氮)	电耗 (度/吨氮)	成本 (元/吨氮)
(9) 兴平	808	1,516	2,057	937	295.52
(10) 刘家峡	886	1,610	3,493	1,132	305.53
(11) 兰化	892		3,431	1,711	308.65
(12) 鄂西	918	1,807.5		1,155	364.65
(13) 长山	848	1,651	3,270	1,063	301.26
(14) 吉化	882	1,816	2,723	1,586	
(15) 南化	887	1,996	5,765	1,186	397.09
(16) 浙江桐乡	煤(6)			1,074	240.32
(17) 嘉兴	煤(6)			1,250	279.45
(18) 江苏武进	煤(6)			960	301.88
(19) 六合	油1,035(7)			1,651	250.60
(20) 肖山	油 941(7)			1,791	294.24
(21) 山东明水	煤(6)			1,257	284.68
(22) 河北藁城	煤(6)			1,257	306.75
(23) 山西高平	煤(6)			1,429	263.0
(24) 阳城	煤(6)			1,317	259.0
(25) 内蒙土左	煤(6)			1,460	280.0
(26) 辽宁亮甲店	煤(6)			1,439	309.0
(27) 余略					

Key:

- | | |
|--|---|
| 1. Raw material (oil) (Kg/ton of nitrogen) | 14. Jihua |
| 2. Total energy consumption (million Kilocalories/ton of nitrogen) | 15. Nanhua |
| 3. Steam (kg/ton of nitrogen) | 16. Tongxiang (Zhejiang) |
| 4. Electricity use (kWh/ton of nitrogen) | 17. Jiaying |
| 5. Costs (yuan/ton of nitrogen) | 18. Wujin (Jiangsu) |
| 6. Coal | 19. Luhe (Jiangsu) |
| 7. Oil | 20. Xiaoshan |
| 8. Plant names: | 21. Mingshui (Shandong) |
| 9. Xingping | 22. Gaocheng (Habei) |
| 10. Liujiatia | 23. Gaoping (Shanxi) |
| 11. Lanhua | 24. Yangcheng |
| 12. E'xi | 25. Tuyou [Tumd Right Banner] (Nei Monggol) |
| 13. Changshan | 26. Liangjiadian (Liaoning) |
| | 27. Others omitted |

Table 14 Source continued:

Sources: Ministry of Chemical Industry, Statistical Data on Chemical Fertilizers
Ministry of Chemical Industry Central Synthetic Ammonia Design and Technology Station, XIAO ANFEI SHENGCHAN JISHU JINGJI ZILIAO [Technical Economic Data on Small-Scale Nitrogen Fertilizer Production].

a broad-based and close relationship with the plants and may even depend on them for life. The fortunes of small coal mines and small hydropower stations in Hebei, Shandong, Shanxi, Anhui and other provinces and municipalities are directly tied to local small-scale nitrogenous fertilizer plants. Closing a small fertilizer plant would force all the others to shut down. All of this shows the important position and role of the small-scale nitrogenous fertilizer industry. Its existence and development are strongly related to the development of the chemical fertilizer and the national economy.

The above discussion shows that the existence of small-scale nitrogenous fertilizer production is not only possible but necessary as well.

12539.

CSO: 4006/159

INDUSTRY

BRIEFS

NEI MONGGOL METALLURGICAL INDUSTRY--In 1984, metallurgical industrial enterprises across Nei Monggol Region created 10.5 billion yuan of industrial output value, overfulfilling their target by 9.73 percent, and a 14.65-percent increase over 1983; and netted 234 million yuan in profits and taxes, overfulfilling their target by 30 percent, and a 39-percent increase over 1983. The growth rate of profits and taxes delivered surpassed that of output value. [Text] [Hohhot NEIMONGU RIBAO in Chinese 29 Jan 85 p 1 SK]

ANHUI INDUSTRIAL OUTPUT VALUE--The gross value of Anhui's industrial output in January reached 1,733 million yuan, an increase of 35.9 percent over the same period last year. Of this, the gross value of Anhui's light industry in January reached 1,030 million yuan, an increase of 38.5 percent and the gross value of Anhui's heavy industry in January reached 743 million yuan, an increase of 32.4 percent. [Excerpt] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 10 Feb 85 OW]

HUBEI JANUARY INDUSTRIAL PRODUCTION--Hubei Province's gross industrial output value in January this year was 3,314 million yuan, an increase of 29.9 percent over January last year and a new record. Output of light industrial products, including watches, bicycles, recorders, washing machines, and paper, was some 50 percent more this January than in January of last year. Output of chemicals, pharmaceuticals, and television sets increased by 100 percent and output of beer, refrigerators, and electric fans also increased. The province's light industrial output value this January was 1,631 million yuan, an increase of 31.2 percent over January of last year. The rate of increase in the light industrial output value was higher than that in the heavy industrial output value. The amount of retail social commodities throughout the province in January was some 1.65 million yuan, promoting the development of light industrial production. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 13 Feb 85 HK]

YUNNAN JANUARY INDUSTRIAL PRODUCTION--Yunnan Province's industrial output value in January was 20.3 percent more than in January 1984, and income from sales increased by 17.7 percent. The province's profits increased by 23.2 percent. The losses of industrial enterprises in the province in January was some 3 million yuan less than in January 1984. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 14 Feb 85 HK]

HENAN TOWNSHIP ENTERPRISES--According to the latest statistics, Henan now has 770,000 township and town enterprises with over 4 million workers. Total output value last year was 10.07 billion yuan, a rise of 118.6 percent over 1983. The number of these enterprises at the village and township level developed to 70,000. The total value of their output was 6.4 billion yuan, a rise of 39.7 percent over the previous year. Commenting on this achievement, a commentator's article in the 16 February HENAN RIBAO notes that the development of these enterprises is very uneven, many of them are just blanks, the management level of the cadres is low, and the technical quality of the workers is poor. There also exist problems in understanding regarding these enterprises. All these problems must be seriously studied and solved. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 15 Feb 85 HK]

JIANGXI INDUSTRIAL OUTPUT--Jiangxi Province is making efforts to promote the industrial production by various nonindustrial departments, such as the commerce, grain, state farm, railway, communications, post and telecommunications, reform through labor, forestry, civil affairs, education, foreign trade, and publication departments. The total industrial output value of these departments exceeded 4.1 billion yuan in 1984, up 15 percent from 1983. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 15 Feb 85 OW]

GUANGDONG ENTERPRISES INCREASE INCOME--According to the departments concerned, the province's town and township enterprises grew rapidly in 1984. The total income of the enterprises exceeded 10 billion yuan. The total income of town and township enterprises in each of the province's 33 counties reached 100 million yuan. More than 2.6 million peasants have left their homes for their local towns, engaging in industrial, construction, transportation, and commercial service undertakings. They have become a new force for invigorating the rural economy. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 15 Feb 85 HK]

HEILONGJIANG SUGAR INDUSTRIAL DEVELOPMENT--Heilongjiang Province has made rapid development in the sugar refining industry. In 1984, the beet growing areas of our province reached 5 million mu, the annual output of beets was 5 million tons, and the annual sugar refinery capacity was 550,000 tons. Our province ranked first in the country in beet and sugar output. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 16 Feb 85 SK]

HAINAN INDUSTRY UP IN JANUARY--The district has made a good start in this year's industrial production. In January, the gross industrial output value of the district totaled over 130 million yuan, an increase of 54 percent compared with the same period last year and reached a record high in terms of monthly growth rate. Profits are expected to amount to more than 3.4 million yuan, an increase of about 80 percent compared with the same period last year. Of the figure, the output value of budgetary state-run industry in the district totaled 83 million yuan, an increase of 61.8 percent compared with the same period last year. [Haikou Hainan Island Service in Mandarin 0400 GMT 22 Feb 85 HK]

PETROCHEMICAL INDUSTRY OUTPUT VALUE--Guangzhou, 23 Feb (XINHUA)--The total output value of China's petrochemical industry last year reached 27.4 billion yuan (nearly U.S.\$10 billion), 9.7 percent higher than the 1983 figure, according to a board meeting of the China Petrochemical Corporation here. The industry turned over to the state taxes and profits amounting to 10.3 billion yuan, up 16.3 percent over 1983. This is due to the coordination by the national corporation over the production, research and development, and management of 39 major petrochemical works. Ensured supply of oil and gas and other raw materials contributed to increases in the production of chemical fertilizers, chemicals and chemical fibers.
[Text] [OW230745 Beijing XINHUA in English 0733 GMT 23 Feb 85]

TIANJIN TECHNICAL PROGRESS--Since May 1983, Tianjin Municipality has made great progress in technical renovations by taking advantage of cooperative assistance provided by military industrial enterprises in the municipality. As of now, the municipality has signed 109 projects on technical cooperation with the Commission of Science, Technology and Industry for National Defense, of which, 79 projects have been completely carried out. These projects that have been or will be carried out in the future will enable the municipality to newly increase 160 million yuan of output value, and 20 million yuan of profits.
[Excerpts] [Tianjin City Service in Mandarin 0030 GMT 10 Dec 84 SK]

SHANDONG TECHNICAL PROGRESS--Shandong Province has vigorously equipped enterprises with new technology. Since the beginning of 1984, 1,140 new products were developed. The output value of these new products amounts to 4.3 percent of the province's industrial output value. Shandong also accelerated technical transformation and achieved new progress in importing technology. According to the province's plans, 1,980 technical transformation projects, involving 1.28 billion yuan of investment, are to be carried out this year. Nearly 1,600 projects can be completed by the end of this year. Upon completion, these projects can create 2.5 billion yuan of output value and 600 million yuan of profit and taxes per year. Application of microcomputers has been speeded up in the province and good results have been achieved. In Weifang, Qingdao, Jinan and Yantai cities, microcomputer popularization and application centers or microcomputer technology service companies have been established. The province now has more than 1,000 computers in use in more than 100 fields, such as production, scientific research and management. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 9 Dec 84 SK]

ANHUI RURAL HOUSEHOLD INDUSTRIES--Hefei, 8 February (XINHUA)--The output value of rural industries in Anhui Province last year was double the 1983 figure, according to Governor Wang Yuzhao today. He attributed the increase to the establishment of more than 200,000 family workshops last year. In the rapidly developing Fuyang Prefecture, industrial output value of rural enterprises reached 900 million yuan last year, more than five times the 1983 figure. Of this, nearly 70 percent was furnished by household industries, Governor Wang said. Hu Yingchen, a peasant of the Mengcheng County, went into business running a brick kiln last year and made a net profit of more than 100,000 yuan, equivalent to the annual profit of an average medium-sized county-run factory. More than 10,000 peasants are now running brick kilns in the province. Family workshops, which require no large investment or advanced technology, are easy to start and produce quick turnovers, Wang said. [Text] [Beijing XINHUA in English 1141 GMT 8 Feb 85 OW]

INDUSTRIAL ENTERPRISE PRODUCTIVITY--Beijing, 21 Feb (XINHUA)--The productivity of China's industrial enterprises rose considerably in 1984. According to statistics, each worker in China's public-owned industrial enterprises, operating on an independent accounting system, produced an average of more than 14,000 yuan in output value last year, up 8.7 percent from the previous year. This was the fastest growth in productivity in recent years.
[Excerpt] [Beijing XINHUA Domestic Service in Chinese 1444 GMT 21 Feb 85]

CSO: 4006/433

CONSTRUCTION

\$200 MILLION COMPLEX TO BE BUILT IN BEIJING

HK260315 Beijing CHINA DAILY in English 26 Feb 85 p 3

[By staff reporter]

[Text] An agreement to build a huge \$200 million hotel and office complex in Beijing was signed on Saturday night at a celebration in the city's International Club.

The project will provide a multipurpose complex to be called the Overseas Chinese International Building.

The complex, will be located opposite the ancient Astronomical Observatory near the Jianguomen Overpass. It will total 130,000 square metres and will include an 800-room five-star hotel, 400 luxury apartments, 30,000-square-metres of office space, an exhibition hall, supermarket, concert hall, banquet hall, swimming pool, bank, restaurants, recreation rooms, a golf course and tennis court.

It will also include a health-care centre for the elderly and for orphans returning to China from abroad, according to Zhang Changsong, director and manager of the China-America International Engineering, Inc. Zhang's company is the designer of the project.

The project is a joint venture between the engineering company and the Capital Overseas Chinese Service Company. At the Saturday night party, Zhang signed on behalf of his company, and Sun Ruilian, general manager, represented the Capital Overseas Chinese Service Company.

The China-American International Engineering, Inc., is a Shenzhen-based contracting firm set up by the China National Coal Development Corporation in cooperation with the San Francisco-based Bechtel Group. This is its first contract in the booming Beijing building market.

The project has the blessing of both Beijing's Mayor Chen Xitong and Vice Mayor Han Boping, who have promised their support for the early completion of the huge construction job, scheduled to begin early this year.

CSO: 4020/129

CONSTRUCTION

SHANGHAI TO IMPROVE INFRASTRUCTURE, HOUSING

OW150422 Beijing XINHUA in English 0251 GMT 15 Feb 85

[Text] Shanghai, 15 February (XINHUA)--Shanghai will spend 890 million yuan on constructing new infrastructure this year, double the figure for last year, municipal officials told XINHUA today.

Top priority will be given to the building of overpasses and highways to ease the heavy traffic jams, officials from the municipal Capital Construction Commission said.

The city will build 12 overpasses this year including 2 for railways. Eleven overpasses were completed in 1984.

Construction will start this year on an express highway from the city to the outlying Songjiang County and on a bus ferry to the Chongming Isle in the Yangtze River estuary.

An expressway leading to the satellite town of Jiading and a tunnel under the Huangpu River are now being built.

A scheme to divert water from the upper reaches of the Huangpu River to the city will help provide the 10 million citizens with cleaner water.

This year's plans also include construction of expansion of 6 sewage plants, gas facilities for 65,000 households and repair of old homes with a total floor space of 2 million square meters.

In addition, the city expects to complete 5 million square meters of housing, improve both municipal and international telephone services, and increase hotel space by another 700 rooms.

CSO: 4020/122

CONSTRUCTION

TIANJIN BUILDS NEW HOUSES FOR PEASANTS

OW220751 Beijing XINHUA in English 0714 GMT 22 Feb 85

[Text] Tianjin, 22 February (XINHUA)--Nearly 300,000 peasant families on the outskirts of Tianjin moved on the eve of the Spring Festival into specially designed and built houses, says the city's rural construction office.

The new houses have two bedrooms and one living living room, with a separate kitchen and store room. They were designed and built last year.

Also completed are 31,000 square meters of two-storey villa show houses. Most are detached, with a courtyard, dining room, living room, bedrooms, bathroom and kitchen with running water. The courtyards have lawns and gardens with stone benches along paved paths.

According to the rural construction office, over 16 million square meters of houses were built between 1981 and 1984 on Tianjin's outskirts, about two-fifths of the total built over the past 30 years. On the average, each peasant now occupies a 12-square-meter room. The city has a rural population of 3.6 million.

Most of the new houses were built under a unified plan, taking into account the balanced development of agriculture, industry, commerce, transportation and energy and the saving of land.

CSO: 4020/124

DOMESTIC TRADE

NONSTATE SECTORS ENCOURAGED TO BOOST TOURISM

OW261353 Beijing XINHUA in English 1222 GMT 26 Feb 85

[Text] Beijing, 26 Feb (XINHUA)--China now encourages localities, collectives and individuals to invest in tourism infrastructure to supplement the state efforts.

More cooperation with foreign businesses to develop tourism resources is also expected, according to a recent report of China's National Tourism Administration.

The report has been approved by the State Council.

Facilities were previously built almost exclusively by the state. The report acknowledged that infrastructure, management and services could not meet developing demands in recent years.

To improve efficiency, travel agencies, hotels and motor vehicle companies are to become businesses independent of administrative departments.

Prices and services will be unified. The National Tourism Administration and the State Administration of Commodity Prices will map out pricing principles and rules.

The administration stressed improvement of domestic services, calling for building more and better hotels, restaurants and resorts and improve transport.

More and more people, students and retired people in particular, now want to travel, the report noted.

CSO: 4020/130

DOMESTIC TRADE

PEASANT MARKETS FLOURISH NATIONWIDE, PRICES FALL.

OW191131 Beijing XINHUA in English 0818 GMT 19 Feb 85

[Text] Beijing, 19 Feb (XINHUA)--The average price of goods at peasant markets fell by 0.03 percent last year, the first drop since 1980, according to figures published in PEASANT DAILY.

The newspaper said peasant markets were flourishing all over the country following five good harvests, and the ample supply of goods was putting downward pressure on prices.

Bigger falls in prices were reported in southern parts of China. The statistics showed that an average basket of goods bought at a peasant market in Guangxi at the end of 1984 was 1.48 percent cheaper than 12 months previously. In Wuhan, it was 1.41 percent cheaper.

Goods which fell in price included rice, soya bean, vegetables and peanuts.

There were 56,000 peasant markets in China at the end of 1984, 7,800 more than at the end of 1983. Turnover soared 21 percent to 45.9 billion yuan.

There were big increases in the supply of meat, poultry, eggs and building materials. A few years ago, grain, oils, vegetables, animals and farm implements dominated the markets, but this is changing, said the paper.

The number of wholesale markets dealing in agricultural and sideline produce quadrupled to more than 1,000 in urban areas last year.

Many peasants switched from farming to long-distance haulage, which helped to speed the flow of goods to markets.

Reports from Sichuan, Guangdong, Zhejiang, Anhui, Hubei and Jilin Provinces showed the number of people transporting agricultural and sideline products over long distances amounted to 1,360,000 last year.

CSO: 4020/130

DOMESTIC TRADE

XINHUA PROFILES ZHEJIANG BUSINESS EXPANSION

OW260738 Beijing XINHUA in English 0704 GMT 26 Feb 85

[XINHUA headline--"News Feature: Zhejiang Farmer-Merchants"]

[Text] Hangzhou, 26 February (by XINHUA correspondent Tang Quiqzhong)--But for a resourceful farmer-turned merchant, Baisha in Zhejiang Province could never have become nationally known as "knitwear town."

The town now attracts a daily average of 1,000 business executives from all over China. More than half of families in the surrounding Baisha Township now run knitwear workshops, with yearly processing fees amounting to 7 million yuan.

But it was virtually unknown until local peasant Hu Yonghuan started a supply and sales business in 1980. "The township's traditional knitwear production has snowballed," says Sheng Li, an official at the provincial Bureau of Rural Industries, "now that supplies and marketing are ensured by Hu's business."

Hu, 42, charges a 2- or 3-percent commission on each transaction. Tax exempt for his first year of business, last year he made 787,000 yuan after a 55 percent business tax.

Rural commodity trading is being encouraged so as to eventually replace traditional subsistence small farming.

"Inevitably more and more peasants will get involved in what economists call 'commodity circulation,'" Sheng says.

Over 400,000 Zhejiang peasants have shifted from farming to business. They share rural factories and family workshops, which employ 8.6 million workers, half the rural labor force.

"Actually," Sheng says, "rural factories rely almost exclusively on these merchants for materials and sales."

"As a rule, rural factories can get government supplies only when filling government orders," he says.

He adds: "Farmer-merchants never hesitate to go to places beyond the reach of government supply and marketing networks."

Hu Yonghuan sells locally produced polyester sweaters and other products to places thousands of kilometers away.

There are well over 100,000 individual salesmen in farming areas under the jurisdiction of Wenzhou City in southern Zhejiang. Their services extend to Tibet, Xinjiang, Qinghai and Gansu, where a few government salesmen even bother to go.

In addition to defying hardship, Sheng says, farmer-merchants must be "alive to market changes."

This is why Shuangmei Township in east Zhejiang rewards local salesmen who send back useful information.

The township's industrial collective produces textiles, shoes, stockings, knitwear and machinery, and its 1984 output value was 140 million yuan, the best in the province.

The company has 48 factories, most of whose directors and deputy directors are former salesmen.

CSO: 4020/123

DOMESTIC TRADE

BRIEFS

ADJUSTABLE PENCIL PRODUCTION INCREASED--The Tianjin Wenjiao Pencil Mfg Co's subordinate fountain pen and pencil factories have increased production of all types of adjustable pencils based on market requirements. Adjustable pencils have been greatly welcomed by public school students and all workers. When using adjustable pencils, it is unnecessary to sharpen them with pocket knives which is both safer and more sanitary. It is moreover unnecessary to use wood to produce these pencils. Based on the use of one adjustable pencil being equivalent to that of 30 wooden ones, annual production plans for a million adjustable pencils equal those for 30 million wooden ones and can save 900 cu m of wood. The Tianjin Wenjiao Pencil Mfg Co began plans in 1981 for its fountain pen and pencil factories to develop production of adjustable pencils. With the aid of concerned municipal departments, it can now produce low, medium and high grades, 14 varieties and 90 designs and colors. It produced over 1.56 million adjustable pencils of all kinds from January to October 1984 for a 136 percent increase over 1983. The company has placed adjustable pencils on 1985's key increased production plans, and through tapping internal potentialities, filling up gaps and introducing advanced foreign equipment, is striving for 1985's output of adjustable pencils to reach 4 million or double that of 1984. Since the company recently received a letter from elementary student Zheng Yuhong [6774 5148 1347] passed on from the higher level concerned department, it has paid a lot of attention to promptly organizing its pen and pencil factories to further study the problems of implementing 1985's production plans and increasing production of all grades of adjustable pencils. [Text] [Tianjin TIANJIN RIBAO in Chinese 24 Nov 84 p 1] 12267

TIANJIN WOOD-SAVING MATCHES--The new-type of matches--matches with wax-coated sticks--successfully developed by the Tianjin Matches Factory using paper to replace wood have been put on sale in the market in quantities. The sticks of this type of matches are made from rolled-up paper with a coat of wax and have the advantages of being easily inflammable and moistureproof. The Tianjin Matches Factory is the only factory producing matches in the city. To develop new products, they began developing matches with wax-coated sticks in August 1984 for the purpose of saving wood. The matches were put into production in only 2 months. The quality and the general beneficial results of this type of matches have yet to be determined by the broad masses of consumers after trial use. [By Liu Yue [2692 1878]] [Text] [Tianjin TIANJIN RIBAO in Chinese 24 Nov 84 p 1] 12662

FOREIGN TRADE AND INVESTMENT

FRG HEAD COMMENDS CHINA'S OPEN DOOR POLICY

Beijing LIAOWANG [OUTLOOK] in Chinese No 48, 26 Nov 84 pp 35-36

[Article by Xia Zhimian [1115 3112 3094] and Li Aihua [2621 1947 5478]:
"Weiss: The Voice of China Will Be Taken Seriously"]

[Text] Special dispatch from Bonn--It was an afternoon in genial autumn sunshine when we arrived at the headquarters of SMS Schloemann-Siemag AG in the Dusseldorf civic center. The brass banisters and the heavy wooden doors in the building have reminded us that this is an enterprise of considerably long history. Mr Heinrich Weiss, chairman of the board of directors of Siemag Co greeted us at his spacious office.

Mr Weiss belongs to the generation of entrepreneurs of the FRG who have courage and insight. Siemag is an old enterprise founded 1871. When Weiss assumed the leading position in Siemag in 1973 he was only 30 years of age, becoming one of the youngest chairmen of the board of directors in the FRG. He is also chairman of the Chinese work group under the German Economic Oriental Commission and chairman of the economic commission of the ruling party, the Christian Democratic Union. In a certain sense, he is a spokesman for FRG economic circles dealing with China trade and also an economic adviser to the government. Therefore, not only can he express his opinion about China's open door policy from the standpoint of a company board chairman but also from the angle of the entire FRG business circles.

After shaking hands warmly, we immediately began our conversations without restraint. The topics began with his recent trip to China accompanying chancellor Kohl. He told us that Deng Xiaoping made a 1-hour report especially for the western entrepreneurs in explaining China's open door policy and its background and that he felt greatly honored. Premier Zhao Ziyang also described the guidelines of the 3d Plenary Session of the 12th CPC Central Committee to them. On the day of his departure, he also received the full text of the communique of the plenary session. That was why he said he had obtained the "first-hand material" about China's urban reform during his trip.

Weiss expressed confidence that China's open door policy will not change. He quoted Deng Xiaoping as saying that if there is any change in the future at all, it will not be closing the door to the outside world, but opening

the door wider. The three of us smiled heartily at this point appreciating the remarks which appropriately conveyed the wishes of both sides. He continued: You see, a man like Zhao Ziyang who once introduced agricultural reform in Sichuan has now become the premier, does this not prove that reform has to be continued?

Weiss held that it is very wise that China started its reform with agriculture because 80 percent of the Chinese people are peasants. The first group of results on agricultural reform has consolidated the people's confidence in the reform and reduced resistance and will help promote urban reform. Moreover, as a result of increases in agricultural output, the foreign exchange used for importing grain has been saved for use in importing industrial equipment and technology.

He told us seriously that he himself welcomed China's open-door policy not only because he wanted to do more business with China but also because he hopes China will become strong economically and politically. China does not seek hegemony or commit aggression against others. A strong China will contribute to the stability of world situation. He believed that it will not work by relying on administrative means alone in guiding the economy, but the initiative of each and everyone and the role of the market must be put into play. China's current policies therefore can affirmatively bring about China's industrialization and modernization thereby enhancing China's economic strength. Furthermore, with the implementation of the open-door policy, China's international economic cooperation will be further developed with each passing day, China's diplomatic position will also be strengthened, and China's voice will be taken more seriously among nations. China, which accounts for one-fourth of the world's population, will show its importance more prominently in international affairs.

At this point, an event involving Weiss has come to our mind: in the 1980's when our country took measures to readjust industrial development and decided to cancel orders for purchasing certain equipment from abroad for the Baoshan iron and steel complex. The cancelled orders included the cold-rolling equipment ordered from Siemag to which a certain compensation payment was planned. However, Weiss suggested that China not cancel the order but postpone the contract for 3 years because, from a long-range point of view, China will continue construction sooner or later. Later, as expected, the Baoshan steel project started again and the contract with Siemag was continued. Not only that, because the terms offered by Siemag were generous, the hot-rolling equipment originally ordered from Japan and subsequently cancelled is now also being provided by Siemag. The judgment made by Weiss at that time has brought advantages to both sides and developed the economic relations between the two countries.

In the conversations, Weiss expressed moderate optimism toward the economic relations between the two countries. He held that the open door policy and the reform measures have made it easier for the foreign manufacturers to do business with China. They have made both sides understand each other more easily in reaching an agreement. He pointed out that while FRG entrepreneurs are very enthusiastic about developing trade with China, especially about

the transfer of technology and joint ventures, they are quite cautious. The work to be done now is for the Chinese side to speed up economic legislation. Both sides should reach unanimous agreement on the rules and regulations and work procedures in enterprises under joint ventures so that common criteria and common language can be found in cooperation.

Referring specifically to Siemag itself, Weiss is quite satisfied with the progress it has made so far. He is extremely happy that he could win the purchase order for the hot-rolling mill originally handled by the Japanese financial group. Together with other companies, they are now designing and manufacturing the hot-rolling and cold-rolling equipment for China which are expected to be put into operation around 1990. He happily told us that to the FRG enterprises, the equipment for the hot-rolling mill alone means an 8-month work load for 8,000 workers, not including factories supplying spare parts and fittings. Touching on the future, Weiss emphasized that his company would devote itself to renovating China's old factories and would not again undertake large equipment as that for the Baoshan iron and steel complex. They have received designing assignments for renovating the Shanghai and Beijing iron and steel plants and will exchange views with China as soon as the preliminary tentative plan is ready.

It was dusk when the evening lights were lit as we left the Siemag headquarters after saying good-bye to Mr Weiss. In the car running at high speed we talked about Comrade Xiaoping's remarks quoted by Weiss: If there is any change in the future at all, it will be opening the door wider! China's open door policy is like a giant magnet attracting all western entrepreneurs who wish to cooperate with China on equal footing.

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FOREIGN TRADE AND INVESTMENT

JAPANESE ECONOMIST ON OPEN DOOR POLICY

Beijing LIAOWANG [OUTLOOK] in Chinese No 48, 26 Nov 84 pp 34-35

[Article by Zhu Shouchen [8540 1108 5256]: "Great Experiment--Views of Well-known Public Figures in Foreign Economic Circles on China's Open Door Policy"]

[Text] Editor's note: Since the 3d Plenary Session of the 11th CPC Central Committee, our country has looked upon the policy of opening to the outside world as the fundamental national policy and a strategic measure to speed up socialist modernization. The remarkable success achieved by this policy in practical work has evoked strong reaction in the press circles and business circles in various countries. Special reporters of this periodical overseas recently had interviews with a number of well-known public figures in foreign economic circles and asked them to comment on China's open door policy and the possibilities of developing economic and technical cooperation with our country. This periodical will continue to publish these reports starting from this issue.

Isamu Miyasaki: I Hope That the Open Door Policy Will Persist for a Long Period of Time

Special dispatch from Tokyo--Touching on China's policy of opening to the outside world, noted Japanese economist Isamu Miyasaki said: "The economy of a modern society is in every sense the strengthening of mutual dependence. It is impossible for a country to become prosperous by itself. If a country develops its economy by closing its door to international intercourse, its efficiency will become very low. In this sense, it is very timely for China to adopt the open-door policy in foreign economic relations while carrying out the reform of the economic structure domestically.

After graduating from the Tokyo University's department of economics in 1947, Isamu Miyasaki had worked with the economic planning department for a long time. He became the deputy director for operations of the economic planning department in 1979 and entered the Daiwa Shoken Economic Research Institute in 1982 where he assumed the post of chairman of the board of directors until now. He is very much interested in China's economy and is very knowledgeable about it. He has been visiting China every year in recent years.

Mr Miyasaki had an interview with this reporter shortly after he concluded his visit to China. This reporter asked him to give his views on China's policy of opening to the outside world.

Miyasaki said: "I have visited China for the fourth time this year, I will go there again by the end of this year. Frankly speaking, the progress made within a short period in China has astonished people and the speed is out of the expectation of many people. China's economy was thrown into a great confusion during the 'Great Cultural Revolution,' and arduous readjustment was made subsequently. It can be considered that China's economy is now developing toward an ideal direction."

Miyasaki is very much interested in China's special economic zones. He has visited the Shenzhen special economic zone 10 times. He said: "In the course of implementing the policy of opening to the outside world, China has established four special economic zones and 14 open cities along the coast, imported technology and capital from abroad and promoted economic modernization. It is a new experiment in the history of mankind for a country to attempt to absorb the good things from the socialist and the capitalist systems concurrently to bring about economic growth."

He said: "China's target to quadruple its gross annual value of industrial and agricultural production by the turn of the century has a vital significance in promoting economic modernization. In the 1960's, Japan realized its 10-year plan of doubling the national income in 7 years. China now possesses conditions Japan had at that time. China's economy is now in the early stage of development; once it gets onto the right track, it will attain very high growth rate. Moreover, China with its vast territory and abundant resources has more favorable conditions than Japan. More importantly, the Chinese people have the enthusiasm to work together with one heart, raise the living standard and achieve socialist modernization. Every where I visited China, I saw the open and forthright expression of the Chinese people and everyone is full of enthusiasm in building socialism. Therefore, I can say that China is fully capable of reaching the quadrupling target and may even surpass this target." Miyasaki thought that China's policy of opening to the outside world and reforming the economic system and invigorating the economy domestically will certainly quicken the pace of modernization.

"In the face of this situation, what can Japan do to help China?" Miyasaki said: "Japan is now equipped with the conditions to cooperate with China in various aspects. First, Japan from now on must further strengthen relations with China in export, in the meantime, conditions for Japan to transfer technology to China have become mature. It goes without saying that since Japanese enterprises are privately owned, the power of decision on the transfer of technology rested with the private enterprises that cannot be coerced by the state. Some enterprises are worried that once the technology is transferred, China will use the technology to manufacture goods for export to Japan again to compete with them." Miyasaki said: "This is a wrong kind of worry. Technology is mankind's common wealth. Besides, even Japan does not export technology to China, other countries may still do. Therefore, we should have no fear about transferring technology."

He said: "Second, Japan has a very high rate of savings deposits, there will still be capital in surplus even if the money is invested at home. Therefore, this surplus capital can be used in China's economic construction. In short,

in the economic field, expansion of trade, transfer of technology and supply of capital may be carried out in a combined manner. This is particularly applicable to the last two items as the conditions are becoming matured with each passing day and the prospects are bright.

Miyasaki pointed out: "Some people in the Japanese business circles still have some misgivings about whether or not China's open door policy will change after Deng Xiaoping." He said: "This kind of misgivings is groundless. True, China's open door policy was formulated under the guidance of his excellency Deng Xiaoping, but we cannot overlook the fact that the broad masses of the people, especially the young people, support the current policy. The Chinese people who carry the heavy burden for the next generation uphold and support the policy of opening to the outside world, this should explain that this policy will not change in future."

Miyasaki concluded that China's open door policy has achieved results. He wished that this policy would persist in a protracted and systematic way to score further success.

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FOREIGN TRADE AND INVESTMENT

ECONOMIC GROWTH OF PACIFIC REGION, CHINA'S OPEN DOOR POLICY

Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 10, 10 Oct 84 pp 6-11

[Article by Luo Yuanzheng [5012 0337 6927] of the World Economic and Political Research Institute of the Chinese Academy of Social Sciences: "The Economic Growth of the Pacific Region and China's Open Door Policy" (Note: This is the paper submitted by the author to the 14th Pacific Trade and Development Conference held in Singapore in June 1984)]

[Text] 1. The Pacific Region's Economic Growth and Interdependence

Under the conditions of the world economic depression since the beginning of the 1970's, the Pacific region's economy has generally been constantly growing. This growth is changing the world's economic structure. The Atlantic region's economic, scientific and technical superiorities are disappearing and the world economic center is shifting toward the Pacific region. Some public figures in European economic circles think that "The Pacific region will replace the Atlantic region by the end of the century and become the world's economic center" and that "The Pacific region is now one of the fastest growing economic regions with the most development potential in the world" and predict that even though the economy of all countries in this region has been affected by the world economic depression, it will still continue to grow at a rate of approximately 6 percent during the 1980's. These views are not unfounded.

There are many favorable conditions for economic growth in the Pacific region.

First, the Pacific region's natural resources are quite abundant. As to its proportion of the world's major mineral resources, its coal constitutes 61.3 percent, iron ore (iron content) 43 percent (not including the PRC) and uranium 44.7 percent and its nonferrous metals are many and varied; although it has somewhat less oil and natural gas constituting only 12.7 and 16.1 percents respectively, judged by what has been explored, there are great hopes for natural gas and oil on the continental shelf and the seabed along the Pacific coast. Its organic resources are even more abundant and varied. The Pacific region produces 80 percent of the world's grain and is a major grain exporting base with 90 percent of the world's wheat exports and 80 percent of its other grain exports being supplied by United States, Canada and Australia. The rubber production of the 5 ASEAN countries alone constitutes

over 83 percent of world output. Its cotton, wool and palm oil production all occupy major positions in the world.

Second, the Pacific region has a population of 2.4 billion people or over half of the world's population. This is a rich labor resource and the biggest market in the world. All countries in the Pacific region will be connected by this market and along with the Pacific region's economic growth, economic contact between them will certainly become closer.

Third, the Pacific region's S&T forces are the strongest in the world. Not only do the United States and Japan rank among the world's most technologically advanced countries and export technology, but in various fields and to varying degrees, many other countries (including the PRC) are also becoming major forces in the region's technical progress.

Finally, the Pacific region has the abundant capital which is indispensable to economic growth. The United States and Japan export large amounts of capital and certain developing countries and areas in the region which have been unable to industrialize must use foreign capital. The Pacific region has a certain number of regional and international financial centers which will play an increasingly important role in developing its import and export of capital and in promoting its economic growth.

Since World War II and particularly in the past ten years or so, it has been precisely the use of the above-mentioned favorable conditions by many countries in the Pacific region and particularly by developing ones that has enabled it to become the most dynamic region of the present world economy. World Bank President Clausen has pointed out that "Despite the world economic recession of the past several years, the economy of developing countries in the Asian-Pacific region has still made rapid progress." The economic growth of developing countries in the Asian-Pacific's market economy has in fact been very fast during the past 20 years with their average annual growth rate having reached 7.5 percent. The total output value of the economy of these countries plus Japan, Australia and New Zealand now equals more than two-thirds that of the United States but was only one third 20 years ago. It is spectacular that the economic growth rate of the 5 ASEAN countries has far surpassed that of many industrially developed countries and other developing countries in the past 10 years or so. According to statistics, the 7.4 percent average annual economic growth rate of all ASEAN countries from 1970 to 1980 far surpassed the average worldwide rate of 3.5 percent. The effective average annual growth rate of Singapore's total value of domestic production for 1971 to 1982 reached an even higher 9.2 percent. The annual import and export growth rates of the 5 ASEAN countries for the same period were 23.6 and 27.3 percent respectively which were far higher than the world rates of 20.3 and 20.4 percent. Not only has there been a rapid growth in the volume of foreign trade of the five ASEAN countries, but great changes have also been made in their commodity composition and trade orientation. Attention has been paid on one hand to increasing the variety and quantity of traditional primary products and on the other to actively developing the export of manufactured products; most of these are "labor-intensive" products and some are in transition toward "capital-intensive" and "technology-intensive" ones;

attention has also been paid to making trade multilateral, avoiding excessive reliance on one or two countries in the area of imports and exports. China's four modernizations will also have a major effect on the economic growth of the Pacific region.

The Pacific region's economic growth shows that economic interdependence between all countries in this region is becoming closer and that economic and technical exchange is becoming constantly stronger. Judged by import-export trade, 40 percent of U.S. exports and 50 percent of her imports, 55 percent of Japanese exports and 58 percent of her imports, 65 percent of Australian exports and 55 percent of her imports, 82 percent of Philippine exports and 72 percent of her imports, 33 percent of South Korean exports and 84 percent of her imports and 70 percent of Thailand exports and 63 percent of her imports all have the various countries of the Pacific region as their targets. This trend has been even clearer during the past several years. China's import-export trade also takes Japan, Hong Kong and Macao, North America, Southeast Asia, Australia and New Zealand as its major targets. It is thus clear that interdependence between all countries in the Pacific region in the area of import-export trade is very close. Judged by the transfer of technology, the United States and Japan have the strongest technological forces in the Pacific region, are finding ways to export technology and the region's developing countries are all trying to import it in order to industrialize and modernize. An independent network to transfer technology has been formed in the Pacific region which has promoted its economic growth and development of interdependent relations.

2. The Interdependence of All Countries in the Pacific Region in the Field of Finance

All countries in the Pacific region have become increasingly aware during the past 10 years or so that major factor in their economic growth is that whether they can provide services to each other in order to fully develop their respective advantages depends particularly on financial cooperation between countries with surplus funds but inadequate natural resources and those with inadequate funds but abundant natural resources. It is common knowledge that the export of commodities and capital and the transfer of technology affect and promote each other. The growth of the export of commodities can cause an increase in the export of capital, the result of mutual investment is often a direct increase in the exchange of commodities, and advanced technical equipment, scientific management methods and production and marketing experience can be introduced along with them; attaching transfer of the exporting country's processing technology to commodities trade will also be favorable to expanding the other country's imports. The Pacific region has countries with surplus capital which they actively seek to export. It also has many developing countries which actively seek to import foreign capital in order to industrialize. The transfer of capital within the Pacific region is indeed spectacular and the United States and Japan play major roles in its economic development. As developed countries, they have provided considerable amounts of technology and funds to certain developing countries and areas in the region and also markets for the primary and "labor-intensive" products of certain developing countries. The total direct U.S. investment abroad in 1982

was \$221.34 billion and its total direct investment in Canada, Latin America, Asia and Oceania constituted 37.5 percent of this. The profit rate of the total U.S. direct investment abroad averages 10.3 percent but that of its investment in Asia (principally the Asia-Pacific region) has reached a high of 22.5 percent which is second only to that of its investment in the Middle East. The total direct U.S. investment in ASEAN increased from 1970's \$1.2 billion to 1980's almost \$4.8 billion, the average annual growth rate being 14.8 percent. The U.S. trade volume with the Asian-Pacific region surpassed that with Western Europe for the first time in 1983. The factor playing the decisive role in this was that U.S. profits from investment in the Asian-Pacific region were larger than those from investment in the European Economic Community. Nearly two thirds of all Japanese export of capital has been within the Pacific region. Japan has used the unevenness of economic development and the variety of economic structures of various countries in the Pacific region, combined export of capital with revision of industrial structure, combined revision of the Japanese industrial structure with revision of that of the Pacific region, developed knowledge- and technology-intensive forms of industry and transferred labor- and energy-intensive forms. Japanese investment in the various countries of Oceania for instance had reached \$2.525 billion by March 1981. Economic relations between Japan, Australia and New Zealand were further strengthened and developed through these investments. Japan can obtain mineral and agricultural products from Australia and New Zealand in order to supplement her "inherent shortages" in natural resources; Australia and New Zealand on the other hand need large amounts of Japanese investment to develop their economy and accelerate development of their energy and mineral products. These interdependent cooperative economic relations have thus developed rapidly. The capital imported by capital-importing countries of the Pacific region also comes mainly from this region. Of the capital imports of the 5 ASEAN countries for instance, 62 percent of Indonesia's, 54 percent of Malaysia's, 64 percent of the Philippines', 62 percent of Thailand's and 48 percent of Singapore's come from the United States, Japan, Australia and Hong Kong; there is also a growth trend which has formed an independent capital transfer network. Due to the uneven economic development of various countries in the Pacific region, there have been new developments in capital internationalization. International capital is interlocking and interdependent. Countries such as Canada, Japan and Indonesia have also invested in the United States and this has played an important role in changing the its adverse balance of international payments, strengthening the position of the U.S. dollar and increasing U.S. economic strength, employment opportunities and tax revenue.

Banks play the major role in the Pacific region's capital transfer network. Hong Kong, Tokyo and Singapore are gradually becoming major world banking centers and have enough technology and specialized knowledge to maintain their positions. Singapore's U.S. dollar market savings reached \$85 billion in 1981 and if the Asian U.S. dollar market funds of Hong Kong, Tokyo and Manila are included, it reached \$130 billion or an increase of 300 percent in 5 years. Singapore's Asian U.S. dollars first topped \$100 billion by August 1982. Hong Kong's role as an Asian center for group credit, negotiable securities business, insurance, commercial arbitration and international banking has also been strengthened. The overseas credit business provided by Hong Kong banks

in 1982 had increased 328-fold over that of 1969 with 83 percent being loaned to the Asian-Pacific region. It should also be seen that Tokyo is playing a greater role as a banking center in the Pacific region. The overseas U.S. dollar market is still a huge and constantly growing source of finance in the Asian-Pacific region. We have happily seen that the various ASEAN countries are taking effective steps to enable new progress to be made in the cause of financial cooperation. The various ASEAN countries have set up the ASEAN Finance Corp to promote development of joint-run ASEAN enterprises through methods such as direct investment and providing loans and guarantees; the ASEAN Bank board of directors has helped member countries to develop the cause of banking education, set up bank cashing markets and made cooperative relations between all member countries in the area of finance closer, thus contributing to the improvement of the competitive ability of ASEAN export commodities.

Influenced by the widespread economic recession in the West in 1982, the economic growth rate of all ASEAN countries decreased, their foreign trade deficits expanded, their international balance of payments conditions were not good and their foreign debt burdens further increased. Under these conditions, they have generally reduced their foreign borrowing, stressed more effective and better planned uses of foreign loans, reduced government expenditures, expanded exports and restricted imports in order to overcome their financial difficulties and reduce their foreign debt burdens. But the ASEAN countries have accumulated definite economic and technical forces through some ten years of successful development, have greater resilience than most other developing countries and still maintain good prestige in international finance. This is an important field in development of the Pacific region's financial relations.

3. China's Open Door Policy and the Economic Growth of the Pacific Region

A major economic construction principle proposed by the government of the PRC is that China's socialist construction must use two resources (domestic and foreign), open two markets (domestic and international) and learn two sets of abilities (to organize domestic construction and to develop the foreign economy). The strategic economic development goals proposed by China are for the period from 1981 to the end of the century. Premised on constantly improving economic results, the total annual output value of industry and agriculture must be quadrupled. The foreign trade volume will also be quadrupled, reaching \$160 billion. Based on the principle of equality and mutual benefit, we must develop foreign trade and the foreign economy. Since China decided in 1978 that it should carry out an open door policy founded on self-reliance, her foreign trade has developed very quickly. China's total import-export volume reached \$40.7 billion in 1983, an increase of almost 100 percent over that of 1978 and an average annual growth rate of 14.5 percent for the 5 years. Exports increased from 1978's \$9.75 billion to 1983's \$22.2 billion, an increase of 127 percent and an average growth rate of 17.8 percent a year. Imports increased from 1978's \$10.89 billion to 1983's \$18.5 billion, an increase of 70 percent and an average growth rate of 11.2 percent a year. These both surpassed the average growth rates of the total output value of industry, agriculture and national revenue. The

proportion of the total world import-export trade constituted by China's import-export trade has increased from 1978's 0.75 percent to 1983's 1.25 percent. The position of China's exports in the export volume of all countries throughout the world has risen from 1978's 32nd place to 1983's 18th place. A favorable balance of foreign trade has appeared in China for the past 3 years with surpluses of \$1.4 billion in 1981, \$4.3 billion in 1982, \$3.8 billion in 1983 and a total of \$9.5 billion for the 3 years which has clearly improved her international balance of payments conditions. China's total foreign exchange reserve had topped \$14 billion by the end of September 1983. Judged by the billion Chinese people who are carrying out the four modernizations, this reserve is of course very small, includes essential turnover funds and has appeared during the course of economic revision and under the conditions of imports having been partially reduced. China will need large amounts of funds to modernize and insufficiency of funds will be a fairly long-term affair.

China has paid a lot of attention to developing trade and economic relations with all countries and areas in the Pacific region, and the countries along the Pacific coast are her major trade partners. Japan occupied first place among China's trade targets in 1983, the Hong Kong-Macao area second place, the United States third place and the various ASEAN countries, Canada and Australia were all major Chinese trading partners. China's foreign trade with the countries and areas along the Pacific coast constitutes the major portion of all her foreign trade.

Since China and Japan established diplomatic relations, trade has developed rapidly and the total amount of bilateral trade has increased from 1972's \$1 billion to the present approximately \$10 billion. The grand total of Sino-Japanese trade for the decade from 1971 to 1982 reached \$55.4 billion or approximately 10 times that of the 20 years from 1952 to 1971. There are many favorable conditions for the development of Sino-Japanese economic and trade relations. Japan has advanced industrial technology, China has rich material resources and fully developing their respective superiorities and developing their economic and trade relations based on the principle of "peaceful friendship, equality and mutual benefit, long-term stability and mutual trust" will be very advantageous to both sides. According to their long-term trade agreements, the amount of their bilateral trade will reach \$20-30 billion by 1990. Focused on this goal, China and Japan will develop many forms of economic and technical cooperation. The Japanese government began in 1979 to provide a loan of 300 billion yen over a 5-year period for 6 construction projects in China and is now successfully executing this loan plan. During a recent visit to China, Japanese Prime Minister Tanaka announced that the Japanese government has decided to provide a second group of long-term low-interest loans to China during the coming 7 years amounting to 470 billion yen (approximately \$2 billion) to be used for 7 energy and communications construction projects. The building of these projects will provide expanded management opportunities for Japanese firms in all areas. There are already 21 joint-run Sino-Japanese enterprises, 8 in China and 13 in Japan. Banking cooperation between the two countries is expanding. The Bank of China now conducts general exchange business with 47 Japanese banks. Japan's major commercial banks have all established branches in China and the agreement

signed by the two countries in 1983 to avoid double tax revenue has created the conditions for people-to-people economic exchange and cooperation. Sino-Japanese cooperative development of maritime oil fields is proceeding smoothly in the cooperative zone in the southwest part of the Bohai Sea.

The Hong Kong-Macao area has always had close trade relations with inland China. The amount of Hong Kong's products exported to the interior in 1983 increased 64 percent over that of 1982, imports from inland China increased 30 percent and entrepot trade with the interior increased 52 percent. The Hong Kong-Macao areas occupies second place in China's trade and first in her exports.

During the 5 years since China and the United States established diplomatic relations in 1979, the grand total of their trade has reached \$22.1 billion or an average growth rate of over 60 percent a year. The governments of China and the United States have successively signed during the past 5 years many cooperative agreements such as trade relation agreements, civil aviation agreements, sea transportation agreements, textile agreements, long-term grain agreements and cooperative industrial technology agreements which have played an active role in promoting economic and trade development between the two countries. The Sino-U.S. trade volume reached \$4.45 billion in 1983 constituting 13.6 percent of China's foreign trade. In addition to foreign trade, various other forms of cooperative projects have also begun to develop. There were 20 joint-run Sino-U.S. enterprises established in China by the end of 1983 and 13 U.S. corporations participated in signing 12 oil exploration contracts with an investment of nearly \$600 million to recover China's maritime oil. U.S. investments in China rank first among those of all countries investing in China. President Reagan recently visited China, signed agreements between the governments of the two countries on preventing double taxation and tax evasion, initialed a cooperative agreement on the peaceful use of nuclear energy by China and the United States and provided favorable conditions for the further development of economic and technical cooperation between the two countries. The United States is the biggest industrially developed country, China is the biggest developing country and the potential for economic and technical cooperation between them is very great. But the present scale of cooperation is very unsuited to the economic development of the two countries. If the United States and China can do a good job of economic cooperation, it will be very advantageous to the economic development of both countries and even to the economic growth of the Pacific region. When President Reagan visited China recently, he said that "The United States like China is also a country along the Pacific coast. We believe that our future prosperity is closely linked to that of the Pacific region. We have become your country's third biggest trading partner. We are devoting ourselves to expanding industrial and technical cooperation between us, to increasing trade and investment and to expanding education and cultural exchange." It can be predicted that through bilateral efforts, the future of Sino-U.S. economic and technical cooperation will be bright.

China and the ASEAN countries are the two major economic entities among developing countries in the Pacific region; although the trade levels between them are still not high, certain economic policy changes favorable to

strengthening bilateral economic cooperation which have appeared in the past few years including China's having carried out the open door economic policy and the various ASEAN countries having further expanded their foreign economic relations have provided new opportunities for economic cooperation between them. The ASEAN countries and China have further strengthened their desire for economic cooperation which will be favorable to their joint economic development, and strengthening their ability to be self-reliant both individually and collectively will play a good promotional role in accelerating economic growth and cooperation between southern countries in the Pacific region.

There have also been great developments in trade between China and countries such as Canada, Australia and New Zealand; in addition to the United States and Japan, oil companies from countries such as Australia and Canada have also participated in exploiting oil on the continental shelf along the coast of China.

Actively and reliably using foreign funds to accelerate socialist modernization is one of China's major strategic policies. China has used \$14.5 billion of foreign capital in the past 5 years and \$1.96 billion in 1983 including \$1.05 billion in various loans and \$910 million in direct overseas investment. China's use of foreign capital to buy some equipment from the countries providing the loans has been advantageous to both sides. China's use of foreign capital has been gradually diversified since 1979. It can be generally divided into two major categories. The first is various loans from governments of foreign countries and international financial organizations or commercial banks and consortiums. The second is various direct investments such as travelling trader investments in joint-run Chinese-foreign enterprises and investments in cooperative development of maritime oil-fields. In addition, there are also travelling trader investments in cooperatively-run Chinese-foreign projects and funds paid for small and medium-scale compensation trade. China's annual repayment of capital with interest for using foreign capital is still less than 10 percent of her export exchange income and the possibilities for using foreign capital are still great. China's present basic policy for using foreign capital is: 1. Upholding the principle of self-reliance as the major factor and seeking foreign aid as a supplement, we seek all advantageous foreign aid. As to the amount of foreign capital to be absorbed by China, we will fully consider our ability to digest, repay and form complete sets of equipment, act according to our capabilities and make steady progress. China will welcome and give equal opportunities and treatment to all foreign firms that wish to invest in China and engage in technical and economic cooperation on the basis of equality and mutual benefit. 2. Upholding the principle of equality and mutual benefit, we will ensure the rights and interests of both sides. 3. We emphasize "stressing contracts and keeping promises", stress the development of investment results and guarantee our ability to repay loans, enabling investors to make fair profits. 4. We guarantee priorities in using foreign capital and principally use it for productive construction with priorities being energy and communications construction; construction of basic facilities in urban and industrial districts, technical transformation of existing enterprises and development of small and medium-sized projects which create a high rate of export exchange. 5. We

will strengthen management of foreign capital and do a good job of overall balance, enabling the use of foreign capital to develop in proportion to the national economy and to achieve the best economic results.

China's open door policy is a long-range national policy and must be further expanded. China has recently decided to further open 14 coastal cities from Dalian in the north to Beihai in the south together with the 4 special economic zones of Shenzhen, Zhuhai, Shantou and Xiamen as forward positions of her open door policy and welcomes foreign countries to engage in joint- or independently-run enterprises in these cities and zones. Further opening involves two areas: The first is carrying out more preferential policies for investors from foreign countries in areas such as tax revenue and markets; the second is the need to expand the power of these open zones so that many problems urgently needing solutions can be solved on the spot and work efficiency improved in order to increase their energy to develop foreign economic activity. We will further accelerate the pace of introducing foreign capital and advanced technology by creating the conditions in some cities to gradually set up economic development zones which, in addition to old urban districts, will form regions with clear geographical boundaries in which to carry out construction of basic facilities in order to concentrate on running joint- and cooperatively-run Chinese-foreign enterprises and ones independently run by foreign businessmen, and we will adopt certain policies of the special economic zones in order to give them preference.

In order to create more favorable investment conditions and in addition to taking forceful steps in economic policy, we must make greater efforts to build a related legal system. For instance China has over 30 published economic laws and regulations concerning foreign affairs and major ones now being formulated include foreign trade laws, foreign economic contract laws, corporation organization laws, Chinese-foreign cooperative management laws and foreign capital enterprise laws. In order to eliminate certain apprehensions of foreign investors about investing in China and to guarantee their interests, China is actively discussing investment protection agreements with certain countries including ones in the Pacific region. All of this will not only be very advantageous to China's modernization but since it will increase investment cooperation opportunities so much, will also provide favorable conditions for economic and trade development of all Pacific countries.

China and England are now holding negotiations on the problem of Hong Kong. Chinese Premier Zhao Ziyang stressed in a government work report that China will recover its sovereignty over Hong Kong in 1997. After recovering sovereignty, China will adopt a series of special policies for Hong Kong. These policies include: A Hong Kong special administrative zone managed by local Hong Kong people and enjoying a high degree of autonomy will be established; the present social and economic systems and lifestyle will be unchanged and laws basically unchanged; Hong Kong will continue to maintain its position as a free port and international banking and trade center and continue to maintain and develop economic relations with all countries, regions and related international organizations; England and other countries will be given preference in Hong Kong's economic interests. These policies

will remain unchanged for 50 years. China's use of this method has been considered in connection with the goals of her four modernizations. We have reason to take an optimistic attitude toward Hong Kong's continued future as an international financial center.

The Asian Development Bank and the World Bank have cooperated to play a major role in promoting the economic development of the Asian-Pacific region. China had recovered her representative seat in the World Bank as early as 1980 but has still not recovered her seat in the Asian Development Bank. At the 1984 annual meeting of the Asian Development Bank, many delegates asked that the problem of China's representation be quickly solved; we appreciate these countries' support of China and hope that the problem of our representation will be solved soon.

Certain difficulties and many obstacles still exist in the area of developing interdependent, equal and mutually beneficial economic relations in the Pacific region. Certain developed countries still carry out certain restrictive protectionist policies toward developing countries; hegemonistic actions affect the stability and development of the Pacific region; the instability of world economic development cannot but have a negative effect on this region; the introduction of foreign capital assaults national industries, etc. We must see on one hand that all countries in the Pacific region are economically interdependent and help each other forward and on the other that disparities of interests and contradictions exist between them due to their economic systems and development stages having nothing in common with each other. In order to cooperate on the basis of equality, mutual benefit and interdependence, we must revise our mutual interests. Developed countries especially must respect the markets and interests of developing countries and provide essential aid to modernize developing countries on the basis of self-reliance or collective self-reliance in order to benefit the economic stability and growth of the Pacific region.

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FOREIGN TRADE AND INVESTMENT

SEPARATION BETWEEN GOVERNMENT FUNCTIONS, ENTERPRISE MANAGEMENT

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 11, 27 Nov 84 pp 3-5

[Article by Su Jiashou [5685 1367 1108] and Dai Yuyuan [2071 0060 3220]: "The Basic Principle Which Must Be Upheld in Separating Government Functions from Enterprise Management"]

[Text] Recently the State Council approved the "Report on the Views Concerning the Reform of the International Trade Structure" submitted by the Ministry of Foreign Economic Relations and Trade. One of the important principles behind this reform is the separation between government functions and enterprise management. This principle marks a major breakthrough in the reform of the foreign trade structure.

After the socialist transformation of the foreign trade sector in 1955, all foreign trade transactions were handled by state-run foreign trade companies. All matters concerning the policies for dealing with different countries, the volume of imports and exports, the varieties and quantities of commodities, the principles of pricing, the management of finance and even the establishment of organs and organization of personnel were centrally controlled by the Ministry of Foreign Trade, while foreign trade enterprises had no right to act independently in their business operations. At the same time, however, these enterprises had some administrative responsibilities. Certain reforms were carried out in the administration and operation of foreign trade in the past several years, and with certain success. However, most of these reforms were related to the shift of authority over business operations, and no major breakthrough was made in the system of operation and management. Control by the Ministry of Foreign Trade and the other departments in charge over the foreign trade enterprises was still excessive and over-rigid, while irrational administrative intervention from certain departments and local governments in the business activities of these enterprises were quite frequent. This system, under which the management of enterprises is combined with the functions of the government, is not conducive to unified leadership and centralized management under specialized departments and also hinders the enterprises' independent operations. The enthusiasm of foreign trade enterprises of various types is dampened.

All our foreign trade enterprises are now run by the state under the socialist system. Their means of production belong to all the people and should, of

course, be under the state's unified leadership, management and supervision. However, this does not mean that the disposal and use of these means of production in the enterprises must be directly controlled by the government departments on behalf of all the people. The departments in charge of the enterprises, as the functional organs exercising state power, belong to the superstructure, while the foreign trade enterprises, as the economic entities for the international circulation of commodities, belong to the economic base. Between the superstructure and the economic base, there is a natural relationship as well as a distinct separation. The administrative functions of the departments in charge, as the superstructure, such as overall planning, comprehensive balancing, coordinating and overseeing the various services and so forth cannot and should not supplant the business activities of the economic entities. There should be a distinct division of work between the government and the enterprises.

At present, the major drawback of the business activities of foreign trade enterprises is that these enterprises "eat from the same pot" provided by the state, and the workers "eat from the same pot" provided by the enterprises, while the state takes all the profits and losses. The enterprises' economic results are not directly linked with the interests of the departments in charge, the local government, the enterprises themselves and their workers. Thus it is difficult for the enthusiasm of the enterprises and their workers to be aroused. Separation between government functions and enterprise management is precisely what is required for solving the problem of "eating from the same pot" and the prerequisite for establishing the system of economic responsibility in various forms. The departments in charge must simplify their administration, delegate more authority to the lower levels, "loosen the fetters" of the enterprises and give them greater decisionmaking power over business operations so that all the specialized import-export companies, integrated companies and local foreign trade enterprises can develop on a specialized and socialized basis, operate independently, and assume sole responsibility for their profits and losses as genuine economic entities whose rights are consistent with their responsibilities. Only thus can we provide the necessary authority and incentive to the enterprises and apply pressure on them to improve their management and economic results, to overcome the bureaucratic style in commerce, and to guide our foreign trade on to the road of stable development with the improvement of economic results as the central task.

The work of foreign trade calls for initiative in various quarters as well as concerted action toward foreigners. This principle must be upheld in reforming the foreign trade structure. The separation between government and enterprise management must not be simply interpreted as a "delegation of authority" to the enterprises after which the enterprises can act as they please. We must realize that the purpose of the separation is to strengthen the government's role in management so that the government departments can be relieved of the routine work of enterprises and have more time for overall planning and coordination, providing services, exercising supervision, working out policies, programs and standards, and attending to the major issues of the overall situation. They will also be able to strengthen their administration, support and encourage the production of commodities for export, and promote the development of foreign trade through administrative and economic regulation and economic legislation. At the same time, the foreign trade enterprises will

no longer exercise any administrative authority. The departments in charge of foreign trade should treat all the enterprises under them as equals and encourage them to bring their own strong points into play in mutual competition under equal conditions. This will help strengthen the state's unified leadership and the centralized management by specialized departments over foreign trade, and overcome the shortcomings of overlapping authorities. The departments in charge of foreign trade will be able to serve more efficiently as the general staff and the commanders in opening new prospects for foreign trade.

Since the world is now witnessing a new technical revolution, an urgent need of the moment in our four modernizations is to accelerate the technical transformation of our industrial enterprises, to import advanced technologies, and to make use of the new scientific achievements. Separation between government functions and enterprise management will help strengthen the coordination of industry and foreign trade as well as the coordination of technology and foreign trade and speed up our technical progress. If the foreign trade enterprises can duly exercise their decisionmaking power and be free from the restrictions of departmental and regional boundaries as well as the administrative interventions, favorable conditions will prevail for cooperation among the foreign trade enterprises, the industrial enterprises and the scientific and technical units, and for their integration, while the defects from the barriers between higher and lower levels and between different departments or regions which handicap technical progress can be overcome. We can anticipate that the new system of foreign trade will bring forth great prosperity along with simultaneous developments in foreign trade, production and science and technology.

The separation of government functions from enterprise management is not only a matter of concern for the Ministry of Foreign Economic Relations and Trade and for the provinces, autonomous regions and municipalities directly under the central government; it should also be supported by all relevant departments and the governments at all levels. They must all bear in mind the overall interests and in addition to providing more active leadership over the enterprises under their jurisdiction and strengthening their administrative functions as state organs. They must also increase the vitality of the foreign trade enterprises by giving them a free hand in running their business according to their own strong points and special characteristics.

We must be particularly careful in guarding against the possibility that while one department has "loosened the fetters," another administration organ will tie the hands of the enterprises again, thus creating new obstacles to the reform. Foreign trade enterprises must abide by the state's general and specific policies, plans and decrees, and conduct their business activities according to economic laws. No administrative departments whatsoever can unnecessarily interfere with the concrete business activities of the enterprises. Any party interfering with these activities or giving wrong directions beyond the scope of their authorities must bear the responsibility of compensation for the economic losses it may bring to the enterprises.

The change from the combination to the separation of government functions and enterprise management marks an important reform in our economic field, and this reform calls for a series of corresponding measures. There may be

imperfections and even mistakes in the course of its realization, and we should continue to sum up our experiences and strive for gradual improvement in practice. However, the basic principle of keeping government functions and enterprise management separate must be upheld without hesitation or wavering. This principle must serve as the main guideline through the entire process of restructuring.

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FOREIGN TRADE AND INVESTMENT

PROCEEDINGS OF SYMPOSIUM ON FOREIGN TRADE RESTRUCTURING REPORTED

Beijing GUOJI MAOYI /INTERTRADE/ in Chinese No 11, 27 Nov 84 pp 4-9

/Article: "A Significant Necessity With Farreaching Effects--Editorial Departments of GUOJI MAOYI and GUOJI JINGMAO XIAOXI Jointly Hold Symposium on Foreign Trade Restructuring"/

/Text/ On 15 September, the State Council approved a report from the Ministry of Foreign Economic Relations and Trade on the views concerning the restructuring of foreign trade, and a major reform will take place in our foreign trade structure. This is a matter of concern not only for the broad masses of workers on the foreign trade front but also for various sections of society.

To publicize the spirit behind the State Council's approval and to promote the smooth progress of this reform, this journal, besides continuing to publish relevant articles, specially held a joint symposium with the editorial department of GUOJI JINGMAO XIAOXI on 26 September, and invited some economists and leading persons from related departments who were in Beijing to give talks on this subject. The participants (names arranged according to number of strokes) were Qian Jiaju /0578 1367 7467/, Wang Linsheng /3769 2651 3932/, Wang Liewang /3769 0441 2598/, Shi Lin /4258 1367/, Gu Gengyu /0657 5087 5713/, Qi Zhongtang /7871 0022 1016/, Chen Fengping /7115 7364 1647/, Shen Jueren /3038 6030 0068/, Ji Chongwei /1323 1504 1218/, Yao Cengyin /1202 2582 5593/, Gu Ming /7357 2494/, Gao Dichen /7559 3321 7115/, Cao Ruizhong /2580 3843 1813/, Han Kexin /7281 0344 0207/, Dong Fureng /5516 6534 4356/, Dai Jie /2071 2638/, the correspondents of XINHUA NEWS AGENCY, RENMIN RIBAO, JINGJI RIBAO, PEOPLE'S CENTRAL BROADCASTING STATION, and INTERNATIONAL BROADCASTING STATION Tian Chuan /3944 1557/, Ji Hongkeng /6060 1728 2638/, Li Renzhu /2621 0088 0031/, Zhang Weiye /1728 4850 5030/, and the editorial staff of our journal and GUOJI JINGMAO XIAOXI, totaling more than 30 persons. Excerpts of their talks are here published in order of their presentation:

Qian Jiaju (Professor of Central Socialist College):

I welcome the restructuring of foreign trade with open arms. I wish it could have been earlier.

Our foreign trade structure after Liberation was based on a Soviet model, and, like its Soviet counterpart, was a combination of government function and

enterprise management. The Ministry of Foreign Trade also took charge of imports and exports under the system of imported goods allocation and exported goods procurement, and the foreign trade companies were responsible for the profits and losses. Under such a system, production and marketing became disjointed: The enterprises producing commodities for exports paid no attention to the demands and prices on the international market and were unable to cut down their production costs to improve economic results. In fact, the former system has long been unsuitable for the changed conditions. We must keep government functions separate from enterprise management, simplify the administration and delegate more authority to the lower levels, and adopt the agency system. Our national income is very low compared with that of other countries in the world. So too is the volume of our foreign trade. The change from a closed-door to an open-door economy is quite a drastic one. We are not familiar enough with the way to invigorate the economy. If we want to do it, the foreign trade structure must be reformed. The separation of government functions from enterprise management, the simplification of administration and delegation of authority are all necessary, and the adoption of an agency system in foreign trade is very good. On the whole, we must act in accordance with objective economic laws.

Ji Chongwei (vice general secretary of Economic Research Center, State Council):

Our foreign trade has been greatly developed and great achievements have been made since implementation of the policy of opening the country to the outside world. However, because of the problems which have existed in the structure for many years, the reforms so far carried out have failed to settle the key issues with the result that "as soon as restrictions are lifted, chaos prevails; and control, once centralized, becomes overrigid." The prices of many commodities on the international market are low, their competitive power is weak, and the economic results are poor. Since last year, under the State Council's leadership, the Ministry of Foreign Economic Relations and Trade, in collaboration with the relevant units, has made every effort to explore a way for an allround reform in our foreign trade structure. They summed up the experiences and drew lessons from the many reforms carried out in the foreign trade structure since the founding of the People's Republic and particularly in the past 5 years, used foreign experiences as reference materials, and conducted repeated analyses and researches. Finally, they decided on the present reform program. In my opinion, this program has touched on the principal contradiction which was overlooked in the minor reforms in the past several years. It has prescribed the proper remedy and smashed the old conventions. Its guiding thought is more liberal, its orientation is correct, and the methods to be used are basically practical. It conforms to the law of modern international trade development and is consistent with China's present realities. This is an important breakthrough resulting from the combination of two major events in our country--national economic restructuring and opening the country to the outside world. Its significance and effects are profound and farreaching. I believe that by taking this line of reform, we can certainly promote the vigorous development of our foreign trade and help it make due contributions to the four modernizations.

What I particularly want to point out is the great significance of the end of state subsidy after the reform in the system of foreign trade planning and the adoption of an import-export agency system.

In the past, an annual import-export plan, including nearly 1,000 types of commodities was worked out to be used as mandatory norms at all levels. It also served as the basis for evaluating the performance of enterprises and for deciding on their rewards or punishments. It was unrealistic and against the objective laws of international trade. As a result, it restricted the enterprises' initiative and flexibility in meeting the changes on the international market. Their production was not coordinated with their marketing, their products could not be easily sold, their funds were tied up, and many serious economic losses and waste were incurred, all because of their failure to adapt to the changed international market. Such a rigid planning system must be changed. The reform this time will provide the enterprises with the necessary decisionmaking power and enable them to do their business flexibly according to the changing international market, and with better economic results.

After all, now that the orientation, objectives, basic system and required measures for foreign trade restructuring have been determined, the main question hereafter is how to implement the new system. Based on the experiences gained and the lessons learned from the previous reforms, I feel that the following points should be noted in the course of the implementation.

First, we must carefully carry out ideological work including the work of publicity and explanation among the cadres of the relevant departments within the foreign trade sector so as to enhance their understanding. They must understand the necessity and urgency in reforming the existing foreign trade structure, and appreciate the fact that only through such a reform can a new prospect be opened for our foreign trade. They must become the promoters, and not the obstacles, of the reform.

Second, we must do our best to catch up with certain concrete measures in dealing with such questions as how to strengthen the administration after the separation of government functions from enterprise management, how should the administration be simplified, what authority should be delegated to the lower levels, and so forth. The Ministry of Foreign Economic Relations and Trade, in collaboration with the departments concerned should make every effort to study and introduce concrete measures.

Third, restructuring foreign trade is a very complex and meticulous type of system engineering which involves a wide range of issues. It must be gradually carried out in a planned and systematic way under an overall plan and a unified arrangement. Any new problem encountered in the course of its implementation must be promptly studied and solved.

Finally, I understand that the leadership of the Ministry of Foreign Economic Relations and Trade is attaching great importance to this reform, since Comrade Zheng Tuobin /6774 218 1755/ has personally announced it to the people in the theoretical and journalist circles and encouraged them to study and publicize this reform. This is a very good beginning. I believe that as long as there is a unified understanding and a concerted effort at all levels throughout the country, this reform will certainly be successful and a new prospect will certainly be opened for our foreign trade.

Gao Dichen (vice director of Finance and Trade Economics Institute, Chinese Academy of Sciences):

Attention to the basic problem during the current reform of the foreign trade system is obviously a great inspiration to our foreign trade.

First, the basic contradiction in our foreign trade lies in two questions: first, how to mobilize initiative in various quarters, particularly the initiative of the producers; and second, how to dynamically adapt the planned economy to the changed international market. The separation between government functions and enterprise management in foreign trade enterprises, compared with that of other departments, has its common as well as special characteristics. In the past, ownership by the whole people meant ownership as well as operation by the state. Past experiences have shown that the right of ownership and the right of operation should be separated. All states should exercise the function of economic management from the macroeconomic point of view. In international relations, government functions and enterprise management should remain combined, as shown by the action of the United States in restricting the imports of textile products. Such restriction cannot be effectively enforced by the enterprises.

Second, the question of an agency system is also an important aspect of separation between government functions and enterprise management, since this system combines the producers, the entrepreneurs and the state as the macroscopic manager into a single entity in dealing with foreigners. The agency system in Australia for exporting wheat, sugar and wool has worked fairly well. This form of business operation can unify the initiative of the producers, entrepreneurs and the owner (the state).

Third, it is also very important that industry-foreign trade and technology-foreign trade integrations be formed. The combination of imports and exports, without excluding the specialized handling of highly-competitive commodities (by a company) should be helpful in interpreting the information on, and keeping in close touch with market conditions. In Australia, for example, the wheat bureau exclusively handles the country's wheat transactions according to the current international market conditions. This method should be of good reference value to us.

Gu Kengyu (member of NPC Finance and Economic Committee):

The restructuring of foreign trade this time was approved after a great deal of preparations. I heartily welcome and applaud it. It is very good! I am confident that if it is carried out thoroughly, there will be very great development in our foreign trade.

We must admit that there were some mistakes in our work in the past. Now these mistakes have been corrected. This is very good.

I will briefly deal with several problems I worry about. Our goods in stock for foreign trade have been greatly reduced. This is very good. However, they

still constitute a burden. These goods in stock must be sold abroad or be disposed of domestically as much as possible. Capitalist countries have frequently experienced economic crises but are not scared by them. I myself have lived through the capitalist economic crisis in 1929-33. At that time, my enterprise was even thriving. Now conditions are different. Chinese people are both capable and wise and have the opportunity to demonstrate their skill. The slogan of producing on the basis of marketing is a correct one. The manager of an enterprise should promote sales. First, he should plan the sales activities 5 years ahead, beginning from the current year. This should not be too difficult. The combination of industry and foreign trade means their becoming a single entity in which foreign trade should play the leading role, and production should be subordinated to sales. Consumption should not be determined by production; otherwise, there will be a heavy burden on the industrial sector. It is necessary to organize production and the sale of products according to market demand and price changes. The general manager should be in close touch with the market and keep himself well informed of market conditions. As long as the goods can be sold promptly, the warehouses can be reduced or even eliminated.

Gu Ming (vice general secretary of the States Council):

The reform in the structure of foreign trade is an important measure in further opening the country to the outside world and in invigorating the economy at home. It is useful in increasing international contacts and accelerating the four modernizations.

In the 1950's, we had trade relations mainly with the Soviet Union, the Eastern European countries and some Western countries, and the volume of foreign trade was very small. The product mix of our exports was mainly agricultural and sideline products of simple specifications. State monopoly was still possible, although the foreign trade system at that time could only barely cope with the current situation. Commodity production has greatly developed after the 3d Plenary Session of the 11th Party Central Committee. Now, our task is to reform on the one hand and to open the country to the outside world on the other. How should the reform begin? It should begin with commerce, foreign trade and the machinery industry. Why? Circulation is very important. In the past, we stressed production and neglected circulation. In fact, circulation is but the continuation of production. If there is no consumption, production can only mean waste, and that was how we wasted billions and tens of billions of yuan in the past. We did not seriously recognize the law of value or commodity production; now even the means of production are treated as commodities, and motor vehicles and tractors are sold to the peasants. In the past, we did not seriously recognize the relationship between supply and demand. We continued to produce what we could not sell and did not reproduce what had already been sold out. All the plans were mandatory. One important reason for these phenomena was that the prices were frozen and could not be readjusted. Why should there be a reform? The situation has changed, and so have our tasks. The foundation of industrialization was laid in the 1950's; now is the time for modernized economic construction, and the basic task is to develop the productive forces. We must meet the requirements of the new situation and new tasks instead of being confined by the old conventions.

As decided in the reform, the Ministry of Foreign Economic Relations and Trade will take charge of the general but not the specific work. Its leading position will be even higher so that it will be able to see farther ahead and with greater clarity. The economic means used will be more rational and regularized (through decrees, permits and so forth). A thorough implementation of this reform will certainly bring about a new and great development of our foreign trade.

Yao Cengyin (professor of Foreign Economic Relations and Trade University):

We are now witnessing a profound and sweeping reform which can also be called a revolution.... In the 16th and 17th century, England had its commercial, agricultural and industrial revolutions. What Marx called a great commercial revolution at that time actually referred to the foreign trade revolution which had a very strong impact on the capitalist mode of production. It is true that China at present is different from England at that time. However, foreign trade is still of great importance to China's economic development. Now, because of the four modernizations program, we have adopted two policies, namely, the policy of opening the country to the outside world and the policy of invigorating the economy at home. They are very correct and timely. The present reform of the foreign trade structure is precisely aimed at a more effective implementation of these two policies. The relations of production must conform to the law of the development of productive forces which is an objective law. The former system is no longer suitable for the present situation. If we do not reform it, it will be impossible to accomplish the four modernizations.

Dong Fureng (vice president of Economic Research Institute, Chinese Academy of Sciences):

Some reforms were carried out on the structure of foreign trade in the past several years. These reforms played a good role in socialist construction, but did not solve the basic problems. Now, we have to carry out another important reform aimed at some key problems. The orientation is a correct one. Reform is more difficult in foreign trade than in other sectors. Foreign trade has all the problems which other sectors have, with the additional problem of the relationship between the domestic and the foreign markets. Foreign trade requires greater flexibility as well as greater centralization in business operation, and these two requirements must be well coordinated. Lack of separation between government functions and enterprise management has been the cause of many drawbacks. Therefore, such a separation will be the central task of this reform. This problem must be solved. Reform in the structure of foreign trade will have an impetus on similar reforms in other sectors, but it can hardly be successful without the collaboration of other sectors. The goods in stock of the foreign trade sector may be reduced, while those of the industrial sector may be increased. Under such conditions, corresponding reforms should be carried out in other sectors. Again, reform of the foreign trade structure can hardly be successful without reform in the pricing system. That is why reform in foreign trade should be accompanied by reforms in other sectors. In any case, this reform in foreign trade is a very great breakthrough. The kind of problems and chain reaction that may be encountered in the course of reform must be closely watched and studied.

Shen Jueren (director of Foreign Economic Relations and Trade Bureau):

Holding this symposium on the eve of the 35th anniversary of the founding of the People's Republic is highly significant, since the is attracting attention in various quarters. The views expressed by the experts are very enlightening. The document approved and relayed to us by the State Council is a summary of the experiences of the past 6 years. These experiences have spurred on the reform. For example, there must be development of commodity economy before there can be any import-export agency system. This reform suits the current changes in the objective economic situation. It is a fairly big step forward with wide repercussions. This time, the need for synchronized reforms in various fields has not been mentioned, since there must be an order of priority. On the other hand, however, collaboration and support from other quarters are necessary. For example, after the separation between government functions and enterprise management, the Ministry of Foreign Economic Relations and Trade needs support from various quarters in strengthening its administration and economic regulation. If administration lags behind, it will affect the reform. However, administration does not come from one single department. The customs, the foreign exchange and the foreign trade departments all have their shares of administrative work. For foreign trade, we must arouse the enthusiasm of various quarters and also take coordinated action toward foreigners. This is an important principle which must be firmly upheld in the reform of the foreign trade structure.

Wang Liewang (research worker of International Trade Research Institute):

Our socialist economic restructuring has developed from the countryside to the cities. The reform in the structure of foreign trade this time has taken a fairly large and early step. It has an impact on the reforms of other departments and the relevant fields.

The focus of the reform is separation between government functions and enterprise management and the simplification of administration and delegation of power. This is the only way to stimulate foreign trade. Another important factor in the reform is the import-export agency system. No serious problem is anticipated in imports, since the import-export company under the Ministry of Foreign Economic Relations and Trade originally functioned as an imports agency. For the system of reexports agency, however, a transitional period is required.

The reform program is fairly good and practical. Since it involves the superstructure and the relations of production, many problems should be solved. The main problems are: First, the economic base of foreign trade, including the product mix, the technologies to be transformed, the quality of export commodities and the business management should be thoroughly reformed so that we can "win through superior quality." Second, as for the superstructure, the development of foreign trade depends on the support and collaboration of other departments in the way of, for example, taxation, exchange rate for renminbi, domestic prices, bank loans and so forth. The problem of the pricing system is even more complex. For example, how to set our export prices to suit the foreign market is a very difficult question.

Han Kexin (research worker of International Trade Research Institute):

The reform in the structure of our foreign trade is an important event in our economic system. It can be called a new achievement in our socialist construction.

Since the founding of the People's Republic, our foreign trade has played an important role in socialist construction. However, because of the changed conditions of world economy and the higher demands on foreign trade from our economic development and the four modernizations, the foreign trade structure can no longer meet the requirements of its new tasks. A structural reform is therefore necessary. The reform this time has the following special features:

First, the separation of government functions from enterprise management. Foreign trade enterprises are the organs handling international commerce, and should operate along economic guidelines. In our country, however, there is no separation between government functions and enterprise management in foreign trade and their business operations are subjected to administrative interventions, resulting in low efficiency and bureaucratism. The reform this time is intended to remedy this defect.

Second, permission for competition outside the plans. In foreign trade, we have always stressed the need for planning and prohibited competition. Thus the operation could not keep pace with the frequent changes on the foreign market resulting in losses. The state's responsibility for these losses was the cause of "eating from the same pot" or egalitarianism. After this reform, competition outside the plan is permitted. This will help improve the economic results of the foreign trade enterprises.

Third, the change to an agency system in operation. By this means, a direct link will be formed between the producing and the foreign trade enterprises which will then be in a better position to cope with the changes in supply and demand.

However, it would be a mistake to think that this reform, once started, will be smooth sailing all the way. There must be mutual collaboration among different quarters, especially through the foreign exchange policy. As we all understand, the improved economic results of foreign trade are ultimately reflected in profits and losses. If the problem of exchange rates cannot be properly solved, the economic results of foreign trade cannot be accurately shown.

Chen Fengping (research work of International Trade Research Institute):

I would like to talk about our experiences gained and lessons learned from the reform in the foreign trade structure in the past 5 years.

First, although the authority to operate foreign trade was delegated to the lower levels, the financial responsibility was not, and there was no unity of responsibility, rights and interests. Although the enthusiasm in exports was aroused, the losses became increasingly heavy and were hard for the state to bear.

Second, the authority for both operations and administration were delegated to the lower levels. Once the "birds were out of the cage," the spectacle of jacking up prices, rushing for purchases and competing against one another in foreign trade could be seen in the country, resulting in benefits for foreigners. In fact, "chaos following the relaxation of restrictions" is not necessarily a natural phenomenon, and the experiences of the Eastern European countries in similar reforms have illustrated this point. The key to avoiding it lies in stronger administration.

Third, there was no law to refer to at that time in handling applications for the establishment of new foreign trade enterprises, and nearly all applications were approved with hardly any question asked. This added to the confusion and resulted in benefits for foreigners.

In the current reform, we have noted the defects and shortcomings in the past 5 years and accordingly worked out the correct policies and measures. We must resolutely implement them and pay attention to the following problems in the course of implementation.

(1) The responsibility for fulfilling the plans and earning foreign exchange must be clearly understood. Exports may drop unless support and encouragement from planning and with economic means are available.

(2) The assumption of responsibility for profits and losses by the exports and production enterprises does not mean a complete solution of the problem of their competition against one another by cutting their prices on the foreign market. Therefore, after the reform, the prices for foreigners should still be under unified control in order to avoid undue advantage to foreigners.

(3) A legal system should be set up as the basis for approving applications for the establishment of new foreign trade enterprises and for revoking the business licenses of old ones. In dealing with the foreign trade enterprises already established, we can follow the example of industry in conducting checkups and accordingly organize our resources for this purpose. Those discovered to be unqualified should be resolutely abolished. In handling the applications for the establishment of new enterprises, we must strictly abide by the law.

Wang Linsheng (professor of Foreign Economic Relations and Trade University):

After the reform in the structure of foreign trade, the system of import-export agency will become the basic form of business operation. In the future, the consumers of imported goods will calculate their profits and losses in terms of international market prices instead of the domestic prices, while the exported goods, handled by the enterprises themselves or by their agents will be carried out under the system of independent accounting with responsibility for profits and losses. The practice of "eating from the same pot" brought about by the state's exclusive responsibility for profits and losses for a long time will come to an end. This will meet the requirements of invigorating the economy at home and opening the country to the outside world. It is also consistent with our national economic development with the improvement of economic results as the central task.

This reform marks a breakthrough in theory as well as in practice, as shown, among others, by the fact that we now have a deeper understanding of the role played by the law of value in foreign trade. In the past, we mostly emphasized the drawbacks and interferences from the spontaneous role of the law of value to the socialist planned economy, but could not clearly see its positive role in increasing the competitive power of our exports and developing our foreign trade on the international market under certain conditions (such as strengthened administration and coordinated action toward foreigners). If we will appropriately coordinate our domestic and foreign prices instead of severing their relations completely, the consumers of imported goods will be more careful with their budgeting or encouraged to use domestic products to save their foreign exchange. At the same time, the enterprises producing commodities for export may be induced to improve their management, raise their efficiency, lower their production costs and pay greater attention to the quality as well as the updating and upgrading of their products. Marx pointed out: "The industrial capitalists must compare their production costs with not only their domestic market prices, but also with the world market prices and carry out these comparisons frequently." Therefore, the use of international market prices as the yardstick of profits and losses is not without its theoretical basis. This also means recognition of the role played by the law of value in socialist foreign trade. The law of value symbolizes a great school, and the foreign trade structure after the reform will enable us to be tested and trained in this great school which will turn our enterprises of world standard and a large number of pioneering entrepreneurs of New China who will be able to play an active role on the international market.

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FOREIGN TRADE AND INVESTMENT

CHINA'S FOREIGN TRADE DURING NEW TECHNICAL REVOLUTION

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 11, 27 Nov 84 pp 9-14

[Article by Zhang Zuogian [1728 0155 0051]: "China's Strategy in Meeting the Challenge of the New Technical Revolution"]

[Text] A new technical revolution is now taking place. The changes in the industrial structure, product mix, market structure and consumption pattern following the development of this revolution will certainly have a profound effect on international trade. Our foreign trade is likewise faced with a stern challenge, which, however, will bring us certain opportunity. We must seize this opportunity and work out our strategy in meeting this challenge to our foreign trade to help our foreign trade make its breakthrough, to change its backwardness, to promote the four modernizations, and to build our country quickly into a strong, modern socialist country.

I. The Guiding Thought of the Strategy

We must first have a correct guiding thought before working out a correct strategy. The guiding thought for our foreign trade in meeting the challenge of the new technical revolution should be as follows:

- (1) Proceeding from our national conditions, we should firmly uphold the principle of maintaining independence and keeping the initiative in our own hands, and adhere to the overall national economic plan.
- (2) Proceeding from the current situation of world economy, we must energetically develop our foreign economic and trade relations and the technical exchange, and enter the international market with gigantic strides.

II. The Strategy of Exports

In meeting this challenge, the strategic objectives of our exports should be an early completion of the following two transitions:

- (1) The transition from exporting mainly primary products to exporting mainly manufactured goods in the near and fairly near future.

A major feature of international trade development since WWII is the significant change in the commodity mix which has put an end to the long-standing

phenomenon of a higher ratio of primary products in exports. This change was particularly noticeable in the developed countries, since their export commodity mix commonly showed a marked increase in the proportion of manufactured goods over that of primary products. America's industry and agriculture are both flourishing. Its agricultural exports are quite large, but the ratio of industrial products is nearly 70 percent.

Although the commodity mix of our exports has been greatly altered since the founding of the People's Republic, we have never been able to get rid of the general characteristics of developing countries. In the early days of the People's Republic, primary products accounted for 80 percent of our exports while manufactured goods accounted for only 20 percent. It was not until after 1980 that the ratio of our manufactured goods became slightly higher than that of the primary products. In 1981, primary products accounted for 46.6 percent of the total exports while manufactured goods accounted for 52.4 percent. In 1983, the ratio was 43.3 percent for primary products and 56.7 percent for manufactured goods. These manufactured goods consisted mostly of crude light industrial products.

With the development of new sciences and technologies, new raw and semifinished materials of various types will gradually replace the traditional natural raw materials. At the same time, in the newly emerging industries such as micro-electronics, optical fibers and space navigation as well as the old mechanical and electrical appliance and instrument and meter industries after technical transformation, the consumption of raw and semifinished materials will certainly be greatly reduced. People's consumption patterns have also changed. In the past, the consumer goods, which were large in quantity and poor in quality, and natural foodstuffs, will gradually be replaced by high-grade durable consumer goods and artificial synthetic foodstuffs. In the future, the market for primary products will certainly be smaller and their proportion in international trade will continue to shrink.

Furthermore, the development of new science and technology will lead to the development of production especially among the developing countries. Along with their growing self-sufficiency in primary products and the increase in the exports of these products, competition will certainly be very keen on the international market, and protectionism will play a more active role.

Under these circumstances, if the commodity mix of our exports remains unchanged, our foreign trade can only decline instead of developing because of the shrinkage of the market for primary products. To prevent this eventuality and to meet the challenge more advantageously, we must adopt effective measures to increase the proportion of manufactured goods in our exports at least to a point above the average world level and possibly close to the present U.S. level in the near or fairly near future.

To increase the proportion of manufactured goods, we must never resort to the passive way of simply lowering the ratio of primary products. The positive way is for us to increase the exports of our industrial products quickly so that their rate of increase will far exceed that of primary products.

To develop the export of new industrial products, we must first carefully find out which commodities now on the international market have not been exported by us, and then quickly develop these commodities for exports. According to statistics, among the imported commodities on the Hong Kong market, 700-800 types of more than HK\$10 billion in value, have never been supplied by us. There are certainly more of these products in the other markets. This shows the great potential for the development of our export trade.

Second, we must quickly increase the exports of our international products on the international market. The proportion of our commodities in the international market is now very low and much can be done in expanding our exports. In the case of mechanical and electrical appliances, for example, the value of our exports in 1983 was only some \$2 billion, less than 0.3 percent of the total volume of sales in the world. We have already a fairly solid foundation for the mechanical and electrical appliance industry and much can be done in increasing the proportion of these products on the international market.

Third, we can process some raw and semifinished materials into industrial products for exports. Among the products we are exporting, for example, filature silk can be processed into silk or silk garments; rabbit fur and cashmere can be processed into Angora knitwear and cashmere garments; and grey cloth can be processed into printed fabrics. This method will help increase our sales and foreign exchange earnings.

It must be pointed out that while making efforts to raise the ratio of industrial products in our exports, we must also pay attention to the export of traditional primary products. It is still possible to continue their sales in the near and fairly near future for the following reasons: First, for a fairly long time to come, these commodities will still be accepted and consumed in production and people's daily life, and the market for them can be expanded. Second, some primary products cannot be substituted even after the introduction of new technology in the near or fairly near future.

(2) The transition from exporting mainly labor-intensive to exporting mainly technology- and know-how intensive products.

During this new technical revolution, technology- and know-how-intensive industries will represent the trend of development of modernized production, and the way of transition from an industrial to an intellectual society. The former labor- and capital-intensive industries will certainly give way to technology- and know-how-intensive industries. The industrial product mix for foreign trade will also change in the same way. One new feature in the product mix of our foreign trade is the rapid increase in the volume and proportion of technical-intensive products. According to statistics, the volume of technical-intensive products exported by the member nations of the Organization for Economic Cooperation and Development in 1980 was \$191.56 billion, 21 percent of the total amount of all industrial products exported, and most of their transactions were carried out among the developed countries. The European Common Market, the United States and Japan were the major exporting countries of technical-intensive products, and their exports accounted for 87 percent of the total export volume.

For a long time, the industrial products exported by us have been mostly labor-intensive products with very few technology-intensive ones. However, because of the development of new technologies, the popularization of automation, and the widespread use of electronic computers, human labor in industry will be greatly reduced, and our superiority in labor resources for the labor-intensive products will also gradually diminish. In the face of this challenge, we must quickly readjust the industrial product mix of our exports for a gradual transition from exporting mainly labor-intensive products to exporting mainly technology- and know-how-intensive products. According to the views of some futurologists, some developing countries during the present new technical revolution can draw on the experiences of the developed countries and make use of the scientific achievements of the fourth industrial revolution by skipping the stage of traditional industrial development. On his visit to us last year, [Alvin] Toffler even suggested that we should carefully consider the characteristics of the "third wave" and, while developing the machinery industry and the communications and transportation facilities, we should concentrate our efforts on the newly emerging industry with information industry in the leading position. This suggestion deserves our consideration. In my opinion, we should on the one hand proceed from our national conditions, seek truth from facts, and advance steadily according to the objective economic law, and, on the other hand, avoid conservatism and the practice of following other people's footsteps exactly. In fact, for some of our present industries, the strategy of "by-passing" can be used. We must carefully plan for the choice of projects, import the new technologies or the fruits of recent scientific achievements, and quickly develop these projects.

To facilitate the transition from exporting mainly labor-intensive to mainly technology- and know-how intensive products, we must, first of all, quickly develop microelectronics and produce more electronic computers and software for exports. This is the key to and the breakthrough point for the transition. Under present conditions, it is entirely possible for the strategy of "by-passing" to be used in developing electronic computers for exports. Right now, we should on the one hand quickly raise the quality of the electronic computers and software--which we are already capable of producing and in a position to export--to the advanced world standards, develop high-grade products, reduce production costs, increase their competitive power, and sell them in large lots on the international market. On the other hand, we should concentrate our manpower and equipment to tackle the difficult problems in producing computers of the fourth and fifth generations right now, so as to bring about a forward leap in the production and exports of computers. The new technical revolution with microelectronics as the leading factor will not only raise the ratio of electronic products but also place it in the top rank among all products on the international market. The export of our electronic products have just begun, and their export value is less than 0.2 percent of the total sales of microelectronic products in the world. Therefore, there is a good future for exporting our electronic products.

Because of the extensive use of microelectronic computers in production and people's daily life and the increased demand for computers, there will be a huge international market for computer software. The programming of software calls for mental skill. In the Western developed countries, there is now a shortage of software programming personnel leading to a so-called

"software crisis." Some developing countries and regions such as India, South Korea and our Taiwan Province, are taking this opportunity to develop software exports. We now have the scientific and technical personnel of a fairly high standard as one of our great assets. We are now just beginning to export software, but they are mostly of a low grade. We must seize this opportunity to bring our strong points into play, quickly develop the production and export of high-grade software, and sell them on the software market of the world on a large scale.

We should also carefully study and develop other products of the technology- and know-how-intensive types, particularly the products of new technology of the "fourth industrial revolution," and gradually sell them on the international market.

While setting up the technology- and know-how intensive industries and developing their products in earnest for exports, we should, of course, also continue to increase the exports of our labor- and capital-intensive products. In the long run, however, if we want to adapt ourselves to the trend of development of the new technical revolution, we must take this opportunity to carry out the transition from exporting mainly labor-intensive to exporting technology and know-how-intensive products in the near and fairly near future.

III. The Strategy of "By-Passing"

To meet the challenge of the technical revolution, the focus of our import strategy should be for us to concentrate our resources in importing the new technical resources of the world and in raising the ratio of such resources in our imports.

After the founding of the People's Republic, the means of production formed about 80 percent and the means of subsistence formed about 20 percent of our total imports. This import structure has played an important role in meeting the needs of construction and consumption. In the imports of the means of production, the ratio of technology was fairly low, generally less than 10 percent of the total value. The lack of attention to the import of new technologies in the past in particular hindered our scientific research and development as well as the establishment of new industries and the transformation of old enterprises.

If we want to meet the challenge of the new technical revolution in the face of our backward industrial technologies, the focus of our import strategy should be a concentration of resources for importing the new technical resources of the world so that the transformation of our traditional industries and the development of the new ones can proceed hand in hand. First, we must import some advanced technologies to transform the traditional industries so that their technologies can be rapidly raised to the advanced world standards and their products can sell well even in the face of international competition. This will help expand our foreign market. Second, we must quickly import a number of new scientific and technical resources and promptly use them to set up new industries and scientific research organs, and then develop the production and exports of technology- and know-how intensive products. Only thus

can we quickly narrow the gap between the developed countries and ourselves in the economic and technical fields as well as in foreign trade.

In importing new scientific and technical resources of the world, we must proceed from our national conditions and act according to our needs and capabilities, and with objectives, priorities and plans. The state should plan for heavy investment in this connection so that the limited foreign exchange can be concentrated and used to good advantage. In the allocation of funds for imports, as a principle, first priority should be given to the fruits of world scientific and technical achievements, such as the sophisticated technical projects of microelectronics, biologic engineering, new materials, space engineering and so forth. Second priority should go to those projects which are urgently needed for the four modernizations and which can strongly influence our national economic development, produce highly competitive goods for the international market, and have fairly solid technical foundations and good supporting facilities in the country. Third priority should go to some other urgently needed equipment, some means of production and some urgent items in people's daily life.

In importing new scientific and technical resources of the world and in developing our production, science and technology, Japan's experiences should serve as good points of reference. In other words, after buying these resources from foreign countries, digesting and absorbing them, and introducing some new ideas of our own, we will turn them into even more advanced scientific and technical achievements of our own and set up our own system of productive technology. We will then quickly turn them into productive forces for large-scale production and sell the products to foreign countries for foreign exchange, with which we will import even more advanced technologies. This upward spiral will not only enable our imported technologies to promote production and scientific research, but also to solve the problem of foreign exchange needed for further imports.

IV. The Marketing Strategy

To meet the challenge of the new technical revolution, we must adopt the global and multimarket strategy in our foreign trade.

The use of this strategy does not mean that we have to make an all-out effort for simultaneous development in all countries and regions in the world. On the contrary, while bearing in mind the whole world situation, we should sort out different types of markets and then adopt different methods selectively and discriminately to sell our products.

(1) Actively develop the markets among developing countries.

The developing countries form a large growing market. The level of their economic development is close to ours, and the mutual adaptability of commodities is fairly strong. There are good prospects for our exports of finished products and technical equipment. These developing countries may be classified into three different categories according to the degree of their development: first, the countries which are more highly developed and whose foreign exchange reserve is fairly large, such as Singapore, Brazil, Mexico and the five

gulf countries, to whom we can sell more high-grade products including jewelry and high-quality machinery; second, the countries whose development is of a medium level and to which we can sell more medium- or medium-low-grade commodities and ordinary machinery; and, third, the countries of low development to which we can sell more low-grade commodities and common producer goods.

(2) Develop the market in the developed countries.

The capacity of market in the developed countries is large, and there is great potential for the exports of our commodities as well as the imports of advanced technologies or the fruits of the new technical revolution. At present, the proportion of our commodities on this market is very low, and much can be done in expanding our sales. However, the element of monopoly here is strong, competition is keen, and the demand on the quality of commodities is high. Therefore, it is not easy for us to push our sales here. While these countries are readjusting their industrial structure, we should take this opportunity to bring into play our strong points and make every effort to export the labor-intensive products of what they call "twilight industries" in exchange for the fruits of new scientific and technical achievements and for advanced technologies and equipment.

(3) Quickly recover and develop the Soviet and Eastern European market.

Many of our products, which are not suitable for the developed capitalist countries are in demand on this market. Thus the early recovery and development of this market is an urgent need of the moment. Now, we should actively resume the exports of our former commodities and at the same time make an effort to develop new products for exports.

V. The Strategy of Marketing

In meeting the challenge of the new technical revolution, our international marketing strategy should change from that of mainly price competition to that of mainly nonprice competition.

One special characteristic of competition on the international market is that the role of price competition has diminished with a corresponding increase in the element of nonprice competition. This trend will certainly continue at increased speed along with the development of the technical revolution.

First, along with the scientific and technical developments, new products will continue to appear and the updating and upgrading of old products will be accelerated. The "life expectancy" of commodities will be progressively shorter and marketing will be determined by their adaptability to the changes in science and technology. Price competition alone cannot increase sales.

Second, along with the rise in people's living standards and the marked change in the consumption pattern, the ratio of expenditures on daily necessities with foodstuffs as the main item has continued to drop, while that of durable consumer goods continued to rise. As a result, the consumers will certainly be more careful in their selection of commodities, make higher demands on their quality and performance, and be more sensitive to the appeals of designs and

styles. Competition on the international market has proved that the increase in sales is mainly determined by quality and popularity, but not by price reduction.

Third, after the WWII, capitalist countries commonly adopted the policy of encouraging exports and restricting imports. This policy has greatly reduced the effects of price competition for some commodities. Furthermore, drastic price reduction may lead to troubles from antidumping measures.

Our international marketing strategy has for a long time depended mainly on price competition and ignored the element of nonprice competition. As a result, we have usually been in a disadvantageous and passive position in international competition. To meet the challenge of the new technical revolution and to change our passive and disadvantageous position into an active and advantageous one, we must quickly change our former strategy of marketing so that instead of price competition, nonprice competition will be mainly used. To bring about this change, we must be sure to do the following jobs well:

(1) Improve quality so as to win through superiority of quality. First, we should carefully attend to commodity production and adjust production according to marketing. Second, we should establish and perfect the laws of quality appraisal and quality control for export commodities, so that these commodities will all be up to the required standards and of fine quality.

(2) Actively develop new products for exports and increase the exports of high-grade commodities of high output value after refined processing and the exports of high-grade, well-known and special commodities. Furthermore, we should speed up the updating and upgrading of old commodities so that our export commodities will be able to serve multipurposes, and their varieties will be diversified with unique and modern features.

(3) Improve packaging. Poor packaging of our export commodities affects not only their sales but also their prices. Along with the development of science and technology and the changes in people's living styles, the packages of our export commodities must be attractive, small and of diversified varieties. They must be produced in small lots with some aesthetic appeal and novel designs.

(4) Be prompt in delivery and forwarding. Along with the development of new sciences and technologies, the cycle of products will be brief and their replacement will be rapid. Therefore, the time element in delivery is particularly important. If we want to win in the fierce competition on the international market, punctual delivery and swift forwarding are also important factors.

(5) Provide good post-sale services. Such services are particularly important in marketing, especially for machinery, electronic and other products of complex structures. In future, therefore, we must set up special service agencies in the principal marketing areas abroad, or have specialized maintenance personnel stationed there according to the conditions of marketing. We must also be sure that the required accessories and spare parts are available.

In addition, we should step up our advertising campaign and adopt various flexible means of trading including the terms of payment, in order to strengthen our nonprice competitive power.

VI. Strategic Measures

(1) Set up our foreign trade "Silicon Valleys"--or new foreign trade bases.

To meet the challenge of the new technical revolution, and to suit the trends of developments in world economy and world trade, it is suggested that new foreign trade bases be set up in the 4 special economic zones and the 14 open ports and cities. We will call them the "Silicon Valleys" of our foreign trade.

The tasks for these new foreign trade bases are two-fold: first, importing new sciences and technologies and, second, exporting the products of new technologies.

The new foreign trade bases should adopt a foreign-oriented economic structure and at the same time be oriented to the four modernizations at home, the new technical revolution and the world market. They should make every effort to absorb and utilize foreign funds and to import advanced sciences and technologies that can promote our four modernizations and suit the development of the world economy. At present, we should import the fruits of the scientific and technological revolution with microelectronics as the leading factor, set up our own new technical industries, and develop the production and exports of technology- and know-how-intensive products so that these bases will gradually become industrial zones of a technology- and know-how-intensive nature, and foreign trade zones for exporting technology- and know-how-intensive products and importing new sciences and technologies.

(2) Set up a nationwide international economic information service center and a network of foreign and domestic information.

The new technical revolution marks a transition from "industrialization" to the "predominance of information" in the society. Information is the foundation of all economic work. At present, the world market changes very quickly and competition is keen. The role of information is becoming increasingly important in developing foreign trade. All countries in the world, and particularly the governments, plants and corporations of the developed countries, are attaching great importance to foreign trade information and are prepared to make heavy investments in setting up their huge information networks. We are rather weak in this respect, since our equipment is backward, our information channels are narrow, and our sources of information and our way of handling and transmitting it are far from adequate for the needs of foreign trade development. To meet the challenge of the new technical revolution and to open a new prospect for our foreign trade, we must quickly set up a nationwide international economic information center. It is suggested that the general headquarters of such an information center be set up in Beijing with branches in Shanghai and Guangzhou. We should also particularly establish a modern information control system in Guangzhou, which has the advantage of utilizing the information from Hong Kong. Hong Kong is now an information

center of the world and through its international information satellite service, Guangzhou can maintain its contact with the information networks of the developed countries. Abroad, we should also set up information network outlets in our principal trading areas and markets to maintain communications with the four special economic zones, the 14 open port cities, and the relevant departments and regions. Thus a modernized foreign trade administration information network will take shape inside and outside the country for the timely, accurate and systematic transmission and feedback of information relating to the principal international markets, the principal commodities and the principal consumers. Only thus can we work out the correct foreign trade strategy to guide the production of export commodities and foreign transactions as well as to improve the business management and economic results in foreign trade.

(3) Form a strong technical and administrative contingent specialized in foreign trade.

Because of the new technical revolution, also called the revolution in knowledge, we can safely assert that the future society will be a know-how-intensive one. The future development of all trades and undertakings will be determined by the degree of their intellectual development. One very important factor in the rapid development of the U.S. center of sophisticated industries, the "Silicon Valley," is that "Silicon Valley is the place where scientists and technicians are concentrated." In this little piece of land, there are 109,000 high-grade technicians and more than 6,000 of them have Doctor's degrees. Their density here is the highest in the United States. Along with the development of new sciences and technologies, foreign trade workers must know not only the "business techniques" but also the world economy and science and technology. However, the quality of our foreign trade cadres is poor and their efficiency is low. To meet the requirements of foreign trade development in the new age, we must recruit and train foreign trade cadres through different channels and in different forms, carry out a vigorous program of intellectual development, and quickly build up a strong contingent of technical and administrative personnel specialized in foreign trade.

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FOREIGN TRADE AND INVESTMENT

CHINA'S ECONOMIC, TRADE RELATIONS WITH SOVIET UNION DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 11, 27 Nov 84 pp 21-22

[Article by Wu Chu [0702 2806]: "Economic, Trade Relations Between China and the Soviet Union Developing"]

[Text] A long tradition of trade relations has existed between China and the Soviet Union, and the trade contacts between the two countries began even before the founding of the People's Republic. At that time, trade was carried on through our trade organs in the northeastern liberated areas and the relevant Soviet trading companies. After the founding of the People's Republic, the two countries signed their first government trade agreement in 1950 and since then, both parties have adopted the method of bartering on credit.

For 30 years, the economic and trade relations between the two countries were based on the principle of equality and mutual benefit and catering to each other's needs, and these relations developed according to the needs and capabilities of both parties. Trade between the two countries has had its ups and downs. The trade volume increased every year in the 1950's, and reached 1.9 billion roubles (approximately 9.2 billion Swiss francs at the current exchange rate) or half of our total foreign trade transactions in 1959. This was the year with the largest trade volume between the two countries. At that time the sphere of economic and trade cooperation was quite broad. From the Soviet Union, we imported 156 complete projects including metallurgical, machinery, motor vehicle, coal, petroleum, electric power and chemical industrial projects which played a positive role in our socialist construction. We also supplied the Soviet Union with soybeans, rice, edible plant oil, non-ferrous metals, and other important materials to support its national economic development. Later changes in the relationship between the two countries brought about changes in their trade relations, and the volume of transactions began to decrease. Apart from the trade of a general nature, cooperation in all fields were suspended. In 1969, the trade volume was at its lowest ebb--only 24 million roubles (approximately 120 million Swiss francs), or about 1 percent of our total foreign trade transactions. A gradual upswing began in the 1970's. In 1979-1979, the average trade volume was about 700 million Swiss francs each year.

Sino-Soviet relations have improved in the past 2 years and trade contacts have also increased. Through common efforts, the economic and trade relations

between them became closer than what it had been for many years, as shown in the following:

A marked increase in the trade volume: In 1982, China and the Soviet Union agreed on a trade volume of 604 million Swiss francs, and in 1983, the volume was increased to 1,664 million Swiss francs, a 1.75-fold increase over 1982. In 1984, it was further increased to 2,652 million Swiss francs, a 60 percent increase over 1983. This was the highest record since 1963.

The continued increase in the varieties of commodities exchanged: In the past several years, we exported to the Soviet Union soybeans, cotton, cotton fabrics and shelled peanuts in addition to the traditional mineral products, frozen meat, canned meat, silk, filature silk, tea and other light and textile industrial as well as native and animal products. In return, we added pig iron, chemical fertilizers, cement and plate glass to the list of imports from the Soviet Union. The quantities of major commodities supplied to each other were also markedly increased. For example, the quantities of soybean, frozen meat and canned pork we exported and the quantities of timber and rolled steel we imported all registered fairly large increases.

The marked increase in the exchange of visits: Along with the development of trade relations and scientific and technical cooperation between the two countries in the past 2 years, exchanges of visits have become more and more frequent. Since 1983, both countries have sent groups to each other's country for placing orders for goods in the metallurgical, coal, motor vehicle, electric power, agricultural and textile trades, and on scientific and technical inspections. To promote trade, the trade organs on both sides have also organized their own departments to participate in each other's international exhibitions. In March of this year, the Soviet Union accepted our invitation to participate in our multinational exhibition of medical appliances, and next year we will be invited to participate in an international exhibition held in Moscow. Furthermore, both China and the Soviet Union have held many symposia in which various sample products were introduced and technologies exchanged. All these activities have deepened the mutual understanding of supply and demand and increased the varieties of goods for exchange.

The increase in trade channels: From the 1950's to the 1960's, local trade was carried out between the adjoining border areas of both countries. In 1982, an agreement was reached whereby the border trade between China's Heilongjiang Province and Nei Monggol on the one hand the adjoining areas in the Soviet Union on the other was resumed. In 1983 and 1984, some import-export contracts were signed. Our major export items were canned meat, knitwear, garments, fur and leather products and other light and textile industrial as well as native and animal products, while our major import items were timber, chemical fertilizers, fan-shaped sickles, refrigerators and building materials. These contracts have added a new channel to what has been provided by the trade agreements between the two countries. The two countries further agreed that Huoerguoshi and Tuergede in China's Xinjiang Uygur Autonomous Region be reopened as delivery points for imported and exported goods from and to the Soviet Union. This new trade channel is doubtlessly useful in invigorating the economy of the border regions on both sides. Furthermore, in 1980, the trade organs of the two countries inaugurated the transit service of container transportation through Soviet territories.

Obviously, the developing economic and trade relations between China and the Soviet Union will not only benefit the economic construction in both countries, but will also strengthen the friendship between both peoples. Sino-Soviet trade has developed fairly rapidly in the past 2 years, but there is still great potential for further improvement of economic and trade relations as well as scientific and technical cooperation between the two countries. Both countries have huge territories and are close neighbors with the longest common frontier in the world and good transportation facilities. Both countries are also rich in natural resources and the commodities exchanged are exactly what is wanted by each other. Since the capacity of their markets is quite large, the prospects of their trade development should be promising. On the basis of equality and mutual benefit and catering to each other's needs, we are willing to continue the promotion of economic and trade relations between the two countries, and this action should serve the basic interests of the two peoples.

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CSO: 4006/236

FOREIGN TRADE AND INVESTMENT

TRADE OFFICIAL CALLS FOR BETTER-QUALITY PRODUCTS

OW132340 Beijing XINHUA Domestic Service in Chinese 1139 GMT 11 Feb 85

[By reporter Chen Naijin]

[Text] Beijing, 11 Feb (XINHUA)--Wang Pingqing, representative of the Ministry of Foreign Economic Relations and Trade, said here today that the development of foreign trade requires the expansion of international economic cooperation, and the key task in expanding this cooperation is to increase exports so as to boost our international payment capability.

Wang Pingqing made this remark when briefing Chinese and foreign reporters on how Chinese export commodities won awards in foreign countries. He said: Since 1979 China's foreign economic relations and trade have shown rapid development, exports have shown an ever-growing trend. In 6 years the value of exports increased nearly 150 percent from \$9.8 billion in 1978 to \$24.4 billion in 1984. The average annual growth rate was 16.5 percent. The year 1984 was marked by an excellent situation of synchronous increase in the growth rate and economic results.

He pointed out: To meet the needs of the four modernizations program and the development of foreign relations, our country should make a rather big advance in promoting its foreign economic relations and trade. Under the present circumstances, where competition is keen on the international market and trade protectionism prevails, all-out efforts should be made to improve the quality of our export commodities, increase their variety and designs, and turn out more famous-brand products for export in order to have a better competitive edge and to achieve greater economic results. This is of vital importance to the furtherance of our country's economic and trade relations with other countries and regions in the world.

Wang Pingqing said: In recent years, the quality of our country's export products have improved considerably, and some brands have become well known. In general, however, the quality of our export products should still be improved. Our country now is reforming the foreign trade system according to the principles of separating the functions and responsibilities of the government from those of enterprises, instituting the system will be conducive to the technical improvement and upgrading of our products and to the coordination of production and sales. He expressed the conviction that with the deepening of the nationwide economic structural reform, the quality of our country's export commodities is bound to improve further, and there will appear more famous-brand products for export.

FOREIGN TRADE AND INVESTMENT

NEW CUSTOMS RULES BENEFIT SELF-EMPLOYED WORKERS

OW261247 Beijing XINHUA in English 1207 GMT 26 Feb 85

[Text] Beijing, 26 Feb (XINHUA)--Any self-employed worker in China may import small production tools, under new customs regulations issued today.

The regulations, which come into force Friday, say that individual workers may, subject to tariff, bring in equipment, processing tools, farm machines, meters and instruments for personal use.

This excludes motor vehicles, motorcycles and some machines, imported under state control.

Tools worth up to 5,000 yuan must be declared locally. Those between 5,000 and 20,000 yuan must be approved above county level.

Self-employed workers can import quality saplings, breeding stock, poultry and eggs duty-free with quarantine certificates.

CSO: 4020/130

FOREIGN TRADE AND INVESTMENT

PRC SIGNS FERTILIZER PACT WITH DEVELOPING COUNTRIES

OW151640 Beijing XINHUA in English 1525 GMT 15 Feb 85

[Text] Beijing, 15 Feb (XINHUA)--China, Kuwait and Tunisia signed an agreement here this afternoon for establishing the Sino-Arab Chemical Fertilizer Company Limited at Qinhuangdao, a port city in Hebei Province.

The company is the first large-size production project jointly-invested by China and other developing countries.

According to the agreement, a chemical fertilizer plant with an annual capacity of producing 480,000-metric-ton dap fertilizer with preferable nutrients content or 600,000-metric-ton npk fertilizer with preferable nutrients content will be built at Qinhuangdao.

The completion of the plant will help change the structure of chemical fertilizers products in China and benefit China's agricultural development.

Present at the signing ceremony were Zhang Jingfu, state councillor; Qin Zhongda, minister of chemical industry; 'abd al-Hadi Haj al-Mahmid, Kuwaiti ambassador to China; and Ridha Bachbaouab, Tunisian ambassador to China.

After the signing ceremony, Qin Zhongda hosted a dinner.

CSO: 4020/130

FOREIGN TRADE AND INVESTMENT

BEIJING'S 1984 IMPORT PROJECTS TOP RECORD

OW220753 Beijing XINHUA in English 0717 GMT 22 Feb 85

[Text] Beijing, 22 February (XINHUA)--Beijing municipality concluded a record 400 investment and technological import projects in 1984, today's BEIJING DAILY reports.

The money involved amounted to 560 million U.S. dollars, 3.8 times the planned amount. The number of import projects was 4.3 times the planned figure.

Projects with foreign investment came to 57, including 31 joint venture and coproduction schemes, most in the tourist and food industries, more than double the previous 5-year total.

Technological import projects came to 336, including importation of equipment producing enriched milk, fast food, air compressors for refrigerators and electronic and motor vehicles.

Both state and collective businesses were involved.

The BEIJING DAILY says about 500 technological import projects were put into operation between 1979 and 1984 with satisfactory results.

High speed weaving equipment imported by the Beijing experimental polyester plant raised annual output 51 times, with profit rate averaging 11,000 yuan (about 3,900 U.S. dollars) per worker. The technology of making ultra red analyzers imported from Federal Germany enabled the Beijing analyzing instruments plant to produce 98 percent of its spare parts, all up to German standards.

At the same time, the paper reports, the municipality exported a record 100 million U.S. dollars worth of garments to over 100 countries and regions.

CSO: 4020/123

FOREIGN TRADE AND INVESTMENT

SHANGHAI WANTS MORE FOREIGN EXCHANGES

OW251618 Beijing XINHUA in English 1441 GMT 25 Feb 85

[Text] Shanghai, 25 February (XINHUA)--Shanghai expects to become an international scientific and technological base for the Asia-Pacific region, according to vice-mayor Liu Zhenyuan.

At a meeting attended by representatives of foreign scientific and technological concerns here yesterday, Liu said Shanghai will make determined efforts in this respect to promote exchange of personnel, import of foreign funds, development of the market, import of up-to-date techniques and the holding of international academic conferences.

Scientific research institutes, academic organizations and colleges in Shanghai are prepared to establish ties with their foreign counterparts, according to Liu.

The municipal government encourages and supports both governmental and non-governmental cooperation in scientific and technical fields, and in the exchange of personnel, the vice-mayor stressed.

Shanghai welcomes foreign institutes or individuals, and overseas Chinese to set up research institutes, technological development centers or other scientific operations, which can be operated either as joint ventures or with 100-percent foreign investment.

The economic interests and patent rights of both Chinese and foreign parties will be protected under Chinese law, Liu pointed out.

Foreign corporations and individuals are also expected to register their patents and sell their techniques directly in Shanghai, Liu said.

In the meantime, the city authorities intend to set up scientific and technological development firms abroad to export Chinese scientific achievements and products, transfer techniques and offer technical aid or services, according to the vice-mayor.

The city will give preference to the import of new technologies such as computers and integrated circuits, optical fiber communications, lasers, robots, new materials, biotechnology, and techniques for the exploitation of off-shore petroleum, Liu said. He also disclosed that Shanghai is also about to construct a center for international scientific and technological exchange.

FOREIGN TRADE AND INVESTMENT

BRIEFS

1984 METALS IMPORTS, EXPORTS INCREASED--Beijing, 24 Feb (XINHUA)--The China National Metals and Minerals Import and Export Corporation handled business transactions of more than six billion U.S. dollars in 1984, at least 200 million U.S. dollars more than in 1983, a corporation spokesman said here today. Imports amounted to 4.68 billion U.S. dollars, the spokesman said. The corporation, set up in 1950, mainly handles import and export of ferrous and nonferrous metals, coke, building materials, metal products and minerals. It now has business relations with companies in 110 countries, the spokesman said. [Text] [Beijing XINHUA in English 1129 GMT 24 Feb 85 OW]

BEIJING ATTRACTS TOURISTS--Beijing, 24 February (XINHUA)--More than 657,000 tourists from overseas, Hong Kong, Macao and Taiwan visited Beijing last year, 29.1 percent more than in 1983, according to a report in today's BEIJING DAILY. The annual increase averaged 22.2 percent between 1978 and 1983. Beijing now has about 50 tourist hotels containing 13,000 double rooms. Nine hotels with 3,000 rooms were completed last year. [Text] [Beijing XINHUA in English 0900 GMT 24 Feb 85 OW]

CSO: 4020/123

TRANSPORTATION

SHENZHEN TRANSPORTATION FACILITIES IMPROVE

OW251200 Beijing XINHUA in English 1145 GMT 25 Feb 85

[Text] Guangzhou, 25 February (XINHUA)--Surveying and designing are now underway in Shenzhen Special Economic Zone, Guangdong Province, for an express highway, a deep-water harbor and an international airport, local officials said today.

Surveying for the 240-kilometer expressway will be completed soon. The 45 million U.S. dollar-road will link Shenzhen with Guangzhou, capital of the province, and Zhuhai, another special economic zone.

Shenzhen now is connected by road with other cities in Guangdong, Fujian and Jiangxi Provinces and with Hong Kong and Kowloon.

The deep-water harbor will be built in two stages. The first covers a 10,000-ton, a 3,000-ton and three 1,000-ton berths, and the second calls for building a berth for 50,000-ton ships.

Shekou and Chiwan Harbors in Shenzhen have a combined annual handling capacity of 2 million tons, local officials said.

The Shenzhen Shipping Company has a fleet of 27 vessels calling at 20 ports, including Hong Kong, Shanghai, Tianjin and Dalian.

Double tracking of the Guangzhou-Shenzhen railway line is now in progress.

The electrified line, which connects with the Beijing-Guangzhou main trunk line, upon completion in 1986 will triple the transport capacity of the present line.

CSO: 4020/125

TRANSPORTATION

GUANGDONG DEVELOPS, EXPANDS PORT FACILITIES

OW270742 Beijing XINHUA in English 0713 GMT 27 Feb 85

[Text] Guangzhou, 27 Feb (XINHUA)--Guangdong Province is building six and expanding four medium-size and small ports with locally-raised funds to promote the circulation of commodities and enliven markets.

These ports are located mainly on the Zhujiang (Pearl River) delta near Hong Kong and Macao, and the Chaozhou-Shantou plain which has a developed economy and convenient land and water transport facilities. They handle outgoing goods from Guangdong and other provinces, and imports from Hong Kong and Macao, and foreign countries.

With the recent rapid growth of the rural economy, many collective and individual haulage companies have been formed to transport industrial and farm products between urban and rural areas. But due to the shortage of ports and storage facilities, goods have often been caught in bottlenecks.

Starting from 1980, the Guangdong Provincial Government began to encourage collectives and individuals to pool money to expand port facilities. At the same time, it has sought overseas investment.

A small port built in Jieyang County on the upper reaches of the Hanjiang River with a bank loan and locally-raised funds now handles several hundred tons of cargo from more than 100 ships a day.

The first construction phase of the port in Dr Sun Yat-Sen's hometown--Zhongshan City on the Pearl River delta--has been completed with investment partly coming from Hong Kong. When it goes into full-scale operation in 1 and 1/2 years, it will handle 1.2 million tons of cargo a year, double the present annual handling capacity.

The port in Jiangmen City made a profit of 3.7 million yuan in 1983 after expansion, and four million yuan last year.

CSO: 4020/133

TRANSPORTATION

NINGXIA IMPROVES TRANSPORTATION SERVICES

OW280732 Beijing XINHUA in English 0655 GMT 28 Feb 85

[Text] Yinchuan, 28 Feb (XINHUA)--Over 86 percent of the small towns in the Ningxia Hui Autonomous Region now have bus services. This makes Ningxia one of the country's best-served regions in terms of highways. There are 10.5 kilometers of road per 100 square kilometers of land area, 1.4 kilometers more than the nation's average.

Ningxia, in northwest China, has built 1,600 kilometers of main highways, 5,000 kilometers of secondary roads, and 655 highway bridges over the past few years. All the highways have been built with funds from the state, local government, collectives and individuals.

The development of highways has boosted the region's transport services. Ningxia now has more than 55,300 motor vehicles.

Ningxia is a trade center for northwest China. Beijing and Shanghai send their commodities and industrial products to Gansu and Qinghai Provinces, as well as the Xinjiang Uygur Autonomous Region, through Ningxia. Beijing and Tianjin get the northwest's native produce such as furs, crude drugs and tobacco through the Inner Mongolian Autonomous Region and Ningxia.

The government has allocated grain, cotton, and cloth worth 39 million yuan recently to help Ningxia develop its highway transport services, and the local government has also earmarked a sum of 12 million yuan.

The money will be used to build or reconstruct another 1,600 kilometers of roads and pave roads leading to all county towns. In the next 3 years, all the townships in the region will have road transport services, according to an initial plan.

CSO: 4020/133

TRANSPORTATION

GUANGDONG LEADERS AT VICTORY MEETING FOR COMPLETION OF BRIDGES

HK050418 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 4 Mar 85

[Text] The victory meeting to celebrate the completion of nine large bridges in Guangdong Province concluded yesterday afternoon and 41 advanced collectives and 286 advanced individuals were rewarded. Attending yesterday's closing ceremony were responsible persons of the provincial CPC Committee, the provincial government, the provincial CPPCC Committee, and departments concerned, including Lin Ruo, Liang Lingguang, Liu Junjie, Kuang Ji, and Zeng Tianjie; and representatives from the Ministry of Communications and the communications departments of 17 provinces and municipalities throughout the country.

At the closing ceremony, (Zhang Mingfa), representative from the Ministry of Communications, presented a silk banner to the Guangdong Provincial Communications Department and read the congratulatory letter from the Ministry of Communications. The silk banner reads: Pioneering work in the construction of bridges. The congratulatory letter says: In only a year's time you have completed the construction of nine large bridges, which have been opened to traffic. This is a brilliant achievement in road construction in your province and is also a brilliant page in the history of bridge construction throughout the country.

The meeting read the congratulatory telegram sent by Mr Henry Fok.

Lin Ruo, secretary of the provincial CPC Committee, and Governor Liang Lingguang were at the meeting. In his speech Comrade Lin Ruo said: Last year nine large bridges in our province were completed and opened to traffic. This will create extremely favorable conditions for further unfolding economic construction throughout the province, particularly developing economic construction in the Zhu Jiang delta and running well the Shenzhen and Zhuhai Special Economic Zones and the Guangzhou Economic Development Zone. We have acquired many rich experiences from the construction of the nine large bridges and from the construction of many medium-sized and small bridges throughout the province, such as mobilizing the masses to raise funds to engage in communications work, arousing the enthusiasm and creativeness of the scientific and technological personnel, applying new technology and new techniques in the course of construction so as to raise economic results, economizing on investment, and many successful experiences. We must be good at summing up these experiences and must use them in future bridge construction.

CSO: 4006/433

TRANSPORTATION

BRIEFS

LIAONING CONTAINER SHIP COMPANY--The Dalian Container Shipping Corporation, the first container ship company financed by the Dalian International Economic and Technical Cooperative Company and the Hong Kong Wenhua International Shipping Company, began business on 28 February. Wei Fuhai, mayor of Dalian City, cut ribbons to mark the occasion. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 28 Feb 85]

HEILONGJIANG TRUCK FREIGHT TRANSPORT--According to statistics compiled in early February, there are more than 6,100 freight trucks throughout Heilongjiang Province which are owned by individual-run transport firms. The number of these freight trucks surpasses that of freight trucks owned by state and collective-run enterprises. There were also more than 210 passenger buses in the province which are owned by individual-run firms engaged in long-distance transportation. In 1984, the province built more than 1,500 kilometers of new highways and had more than 1,700 passenger buses owned by state, collective, and individual enterprises, a more than 300-bus increase over the 1983 figure. By the end of 1985, the province will have 952 highways with passenger bus transport and 97.3 percent of the total number of townships across the province and 70.5 percent of villages will be on bus transport lines. [Excerpts] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 24 Feb 85]

LIAONING NEW RAILWAY BRIDGE--In Liaoning's Suizhong County, a railway bridge spanning the Liugu He was completed last 23 December. The bridge, 869.5 meters in length with 42 arches, is the largest on the Shenyang-Shanhaiguan Railway. [Text] [Shenyang LIAONING RIBAO in Chinese 6 Feb 85 p 2 SK]

JIANGSU SHIPBUILDING COMPLEXES--According to a XINHUA RIBAO report, Jiangsu's Yangzhou City has initially formed 4 shipbuilding complexes from 20 shipping enterprises and units, by merging and professionalizing them. The four shipbuilding complexes can build barges, passenger ships, freighters, ferryboats, fishing vessels, containerships, refrigeration ships, and factory ships ranging from several hundred to 3,000 tons. Last year, the city built 130,000 tons of shipping. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 19 Feb 85 OW]

CONTAINER SHIPPING COMPANY--Dalian, 1 Mar (XINHUA)--A container shipping company was set up on Thursday in Dalian, a major port in Liaoning Province, by local and Hong Kong firms. The joint venture between the Dalian International Economic and Technical Cooperation Corporation and the Wen Hua Maritime International Company Ltd of Hong Kong will mainly handle shipping between Dalian and Japan. The Dalian and Hong Kong firms will contribute equal shares to the total investment of U.S.\$500,000. [Text] [Beijing XINHUA in English 1441 GMT 1 Mar 85]

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

YUGOSLAVIA TO CURB WORSENING INFLATION

OW191721 Beijing XINHUA in English 1625 GMT 19 Feb 85

[Text] Belgrade, 19 Feb (XINHUA)---Yugoslavia has made it a primary task in 1985 to curb the country's rampant inflation so as to keep it below 40 percent.

According to local press reports, inflation rate in the country rose by 9.2 percent in January, surpassing the highest monthly figure last year. In 1984, the country's inflation rate was 52.4 percent, the highest in Europe.

However, the situation is expected to become even worse in the year as retail prices of many products went up after the federal government announced on 1 January to adjust the current account tax for a number of products. Yesterday, the government again raised the prices of flour and bread respectively by 18.7 and 18 percent.

While the government tries hard to fight inflation, local analysts, however, are largely of the opinion that the inflation associated price hikes are caused by several of the government policies.

On top of the list is the policy of real exchange rate of the dinar which allows the currency to float freely on the international financial market.

The real interest rate policy designed to curb loans for enterprises has however resulted in growing interest rates and price rise by enterprises to evade losses.

Other policies believed also attributable to price hikes are tax and wage increases.

The two "real" policies laid down in the 1985 economic development resolution were aimed at stimulating production and controlling loans but on the other hand they caused inflation which local analysts fear might continue and become even worse.

CSO: 4020/130

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

ON ROLE OF JOINT VENTURES WITH CLOSE LOOK AT INDIA

Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 10, 10 Oct 84 pp 58-62

[Article by He Chengjin [0149 2110 6855], South Asian Studies Institute, Sichuan University: "On the Role of Joint Ventures Abroad in International Economic and Technological Cooperation--Focusing on India's Strategic Measures in Developing Overseas Joint Ventures"]

I

[Text] Toward the end of the 1950's a new phenomenon appeared in the field of international economic and technological cooperation, namely, joint-venture enterprises. In the beginning it was the developed countries that established joint-venture enterprises in the developing countries, later they became part of the East-West exchanges and finally the developing countries also participated in these ventures, extending them to other countries, including the developed countries. Currently, joint-venture enterprises are generally found acceptable by most countries throughout the world. Although there are no accurate figures up to now that reveal the extent of their development, they are incontestably in the process of growing into an important form of international economic and technological cooperation, as evidenced by the fact that every country involved has by now promulgated its "Law Governing the Operation of Joint-Venture Enterprises."

Speaking of any particular country, there are two forms in which such joint ventures can operate: one form is to import foreign capital and set up an operation in the host country, and another form is using a country's own capital and setting up operations abroad. The present article will examine the latter form of joint ventures abroad. This form breaks with the traditional forms of international exchanges of commodities and service trades by investing jointly and directly in the country that is partner to the cooperation and organizing these certain production and marketing activities. In recent years a new trend has appeared that is worth our attention, namely, a form that is integrated with other forms of international economic and technological cooperation, such as economic assistance, contracting for or providing services for engineering projects, transfer of technologies, production cooperation, etc. It is frequently one and the same capital that fulfills two purposes, one company that performs several functions and thus becomes a composite entity that is capable of undertaking various tasks of

international economic and technological cooperation. As a further step in the development, a number of new multinational corporations have made their timely appearance on the scene. That they have their bases in the developed countries is something we need not specifically mention, but the Third World countries are also getting into the act. It is estimated that about 30 to 40 developing countries and territories all over the world now have multinational corporations with direct investments abroad that amount to a total of about \$10 billion. Comparatively outstanding in this respect are Hong Kong, Brazil, Singapore, India, South Korea, China's Taiwan Province, Argentina, Mexico and Venezuela. Compared with the multinational corporations of the developed countries, their degree of modernization may be lower and their technologies not as advanced, but due to their characteristics of small-scale operations (small investments), labor-intensive operations (high employment) and low management expenses (easy to control), they are particularly effective in technological transfers between developing countries and are for these reasons highly welcomed.

Establishing joint-venture enterprises abroad benefits the countries concerned in a variety of ways. First, joint-venture enterprises enable the countries to learn from each other, adopt the strong points of the other party and supplement one's own weaknesses, in political respects enhance mutual understanding and friendship between countries and in economic and technological respects narrow the gaps that may exist between the two partners. Second, as a concomitant of joint ventures, machinery and equipment of the investing country are exported as its share in the venture, from which dividends and patent fees are derived, thus engendering further exports of services and other items and gaining additional capital. Third, both partners will learn advanced technologies, management techniques and nurture a large contingent of specialized personnel, thereby raising each country's level of modernization. Fourth, they provide an outlet in solving the unemployment problem. Taking India as example, by establishing joint ventures abroad, India has not only raised its position and effective role on the international stage and particularly among the developing countries, but beyond that has acquired all the appearances of a great agricultural and industrial country. There are now over 90 corporations throughout the world (including quite a number of multinational corporations of developed countries) which on their own initiative have requested India to provide them with technological know-how. A group of young managerial personnel, conversant with the technologies of their own country and those of foreign countries, has quickly sprung up, and there has been a marked increase in foreign exchange revenue. About 40 percent of India's current exports of engineering products are related to joint ventures abroad.¹ Although these receipts are still a very small proportion of its total foreign exchange income, it will have an impact that cannot be ignored in the state's future export strategy.

II

The Indian Government has always attached great importance to the establishment of joint venture enterprises abroad. In 1960, it approved for the first time the erection of a cotton mill by the Birla financial group in the Ethiopian capital of Addis Ababa. Through the two phases, the tentative beginnings of

the 1960's and the developments of the 1970's, up to the end of September 1981, the Indian Government approved 438 agreements of this nature.² By the end of 1982, 140 of these projects actually went into operation,³ in addition to which, over 90 projects are in the construction stage. These joint ventures are mostly large and medium in size. Relevant analyses have shown that prior to 1963 on the average 1.5 joint ventures were set up every year, between 1964 and 1970 this figure increased to 3.3 and for the period 1971-1980 the figure even grew to 17.5. In the most recent years the number of parties who are proposing joint ventures has markedly increased. The government approved 399 applications in 1980 and 389 in 1981, of which 29.9 percent were joint ventures with the United States.⁴

The rapid development of India's overseas joint ventures is inseparably linked with the strategic measures of the government.

First, a Clear and Definite Strategic Ideology. In the beginning, the government launched the overseas joint enterprises as tools of "assistance diplomacy." Starting in the 1950's, at a time when the government was receiving foreign assistance, it was also providing economic assistance to a number of developing countries. Later, in the Third 5-Year Plan, it proclaimed clearly and definitely that India "in the light of its own resources, will share developmental experiences with all other developing countries." In the early years of the 1960's, drawing lessons from its experiences in foreign assistance, India decided to change the one-sided "charitable" assistance that it had granted to developing countries in the past into an economic and technological cooperation of mutual equality and for mutual benefit. India required its diplomats to actively launch "economic diplomacy," and regarded successes in this direction as important criteria for the evaluation of their work. On 15 September 1964 the Indian parliament approved implementation of the "Plan for Indian Technological and Economic Cooperation," in which the establishment of overseas joint enterprises was one of its five essential points. After entering the 1970's, the government furthermore urged its industrialists to become good "partners" in the economic development of all countries. From then on, a number of official and private entrepreneurs zealously went abroad to set up joint ventures. The most famous state-run corporations and private monopolist financial groups are the Hindustan Machine Tool Corp, the India Tourism Development Co, life insurance and general insurance companies, the India Iron and Steel Construction Corp and 20 other financial groups, such as Tata and Birla. The establishment of Indian overseas joint ventures gained an almost daily increasing momentum.

Second, Very Strict Control. The government established an Interministerial Committee for Joint Ventures Abroad under the leadership of the secretariat of the Ministry of Commerce and participated in by representatives of the Ministry of Commerce, the Ministry for Foreign Affairs, the Ministry of Finance (Department for Economic Affairs), the Ministry of Industry (Bureau for Technological Development and Department for Corporation Affairs), and the Indian Investment Center. The said committee is conducting its examinations and approvals according to Art 372, Par 4, of the Company Law of 1956 and Art 27 of the Foreign Exchange Control Law. Art 372 of the Company Law prescribes that a company has the right to invest in any other company, but

that the proportion of its investment must now be more than 10 percent of the approved capital of the company it invests in, that all its investments in other companies must not exceed 30 percent of its own capital, and that the investment in any one category of companies must not exceed 20 percent of its own capital.⁵ Anyone who applies for permission to establish a joint venture abroad, must base his application on these rules and according to regulations submit all pertinent data. The Committee for Joint Ventures Abroad will particularly consider the following factors when considering cases for approval: (1) The technological and economic reliability of the object of the intended joint venture, and the influence of the host country's tax policy on net income returned to India from these ventures. (2) The own capabilities, experience and reputation of the host country. (3) Generally no approval will be given for two or more companies to export the same or similar technologies to the same country, which means that in general only one enterprise may be established in one country for the production of one kind of product. (4) The return remittances of foreign exchange must be controlled by the Ministry of Finance and the Ministry of Commerce. Wherever and whenever cash return remittances are permissible, the Indian partner to the venture is under obligation to remit these payments back to India, and the same obligation holds true in case of exports of machinery and parts. To ensure the return of such remittances from the host country, the Indian investor must deposit in India an equivalent amount as guarantee, which will be returned on receipt of the remittances from abroad. (5) The investments of the Indian investors shall in principle consist of exports of Indian machinery and equipment, but under special circumstances the investment may also consist of cash or capitalized technology or patent fees.

Third, Strategic Direction Is Toward Developing Countries. Indian joint ventures abroad started with developing countries, but has by now expanded to almost 40 countries, which also includes developed countries, with the majority always being the developing countries. According to numbers, whether counting the number of agreements approved, or those being implemented or those already constructed and in operation, the developing countries account for around 90 percent of all of the ventures. As to the amounts of investments, up to the end of August 1980, in the 204 cases that are being implemented (including 117 that have started production and 87 that are under construction), the Indian investments amounted to 926.5 million rupees, of which the developing countries shared 96.4 percent. These developing countries are mainly those of Southeast Asia, accounting for 42.2 percent; of Africa, accounting for 20.6 percent; and of West Asia, accounting for 14.7 percent. The countries with the largest Indian investments are Malaysia, Indonesia, the United Arab Emirates, Kenya, Singapore and Nigeria. Not only that, the average scope of enterprises established in the developing countries was also much larger than in the developed countries. The average Indian investment in those enterprises that are already in production is 3,052,000 rupees, the investment in enterprises that are now in the course of construction is 6,544,000 rupees. In the developing countries the average capital of these two types of enterprises rose from 3,437,000 to 7,088,000 rupees, while the opposite was the case in the developed countries where it declined from 4,413,000 to 3,937,000 rupees. This point also becomes evident when we look at the composition by trades of the overseas joint ventures. According to

the current Indian classification, there are 17 categories, among them iron and steel, machinery, engineering contracts, consulting services and commercial enterprises. The largest categories among the 204 items for which agreements have been concluded are light industry machinery (23 percent), textiles (12.7 percent), hotels and restaurants (11.3 percent). To conform to the needs of the developing countries for national economic independence, the enterprises in these countries mostly concerned contracting for processing operations, building construction, light and textile industry and consulting services. In the developed countries, the ventures concern the operation of hotels, restaurants and foodstuffs processing, with the exception of a factory for the production of asbestos cement in England and one diesel engine and one rice mill manufacturing enterprise in the FRG.

Fourth, Measures of Encouragement. These mostly refer to preferential policies regarding reductions of taxes or exemption from taxation. According to Art 80 of the Indian Income Tax Law, dividends, patent fees, commissions, remuneration and similar income derived from joint-venture enterprises providing technological know-how, technological services or technological information according to agreements that have had government approval, in the form of patents, designs, processing or in similar forms, shall be exempted from income tax. To lighten the burden on the enterprises, the Indian Government has already concluded double taxation agreements with Egypt, Austria, Belgium, Denmark, Finland, Norway, Sri Lanka, Sweden, Malaysia, France, the FRG, Iceland, Japan, Romania and Indonesia. If there is the intention of establishing a joint venture in a country without a double taxation agreement, the Indian Government would urge the host country to conclude a double taxation agreement. Prior to the signing of such an agreement, a one-sided subsidy would be paid according to the host country's or the Indian tariff, whichever is the lower, for that part of the income that is subjected to double taxation. Furthermore, in view of the cost of living or other expenditures abroad being higher than in India, engineering and technical personnel temporarily stationed abroad for short periods of time or personnel engaged in implementing service contracts approved by the central government or authorities concerned may have their income tax reduced to half in respect to income earned abroad, their stay not to exceed 34 months.

Moreover, the Indian Government continuously sums up its experiences and puts forward certain concrete regulations and methods. It is particularly these strategic measures that play a positive role in the development of overseas joint ventures.

III

In recent years some Indians have voiced the opinion that in view of the many problems with overseas joint ventures and the risks involved, it will become uneconomical to continue them after a certain period of time.

The fact is that many problems have arisen in connection with India's overseas joint ventures, the main ones being: First, a high rate of abandonment. Up to the end of August 1980, the rate of abandonment was 49 percent in all the 399 ventures approved by the government. By September 1981 the rate of

abandonment was 56 percent in 438 approved ventures. Second, poor business results. Taking Southeast Asia as example, enterprises in that area account for 42.2 percent of all Indian joint-venture enterprises and 49 percent of investment capital. An investigation on the spot revealed that 70 percent of the companies showed no profit after taxes, there was no assurance of profits in 22 percent and that only 8 percent of the companies could earn any profit. The large majority were burdened with heavy debts and some were even taken over by the "Bankruptcy Control Bureaus" of the host country governments. Third, the joint-venture enterprises provided little direct revenue. In recent years they accounted for only 0.26 percent of the total export revenue. It is true, though, that some of these problems were more serious in the past and have gradually improved, and that the ventures are, therefore, welcomed by the host countries. However, some have indeed had a serious adverse effect on India's reputation and have certainly raised overall concern among government, industrial and trade circles.

There are reasons for these problems on the side of the host countries. For instance, because the "southern countries" have for long period of time been bullied, humiliated, exploited and plundered by "the north," they are extremely sensitive and vigilant against any kind of foreign controls whenever they accept direct foreign investments and technological or managerial assistance. In the markets of many of these countries, furthermore, there is competition between five large forces, namely, the subsidiary companies of multinational corporations, joint-venture enterprises of developed countries and other developing countries, local companies and imported commodities. An Indian enterprise that has grown up under long-term protective conditions and is suddenly exposed to this competitive environment will unavoidably suffer setbacks. Besides, there are policy adjustments and policy changes in some countries due to political reasons which also may adversely affect the implementation of already signed agreements, and many more such cases.

Problems on the Indian side are mainly:

In technological respects, India after independence imported and transformed foreign technologies and developed its own "intermediary technology," but this technology is not at all "unique." According to statistics, about 27,000 items of patented technologies have appeared throughout the world in the last 10 years, of which only 10 belong to India. Furthermore, although this kind of "intermediary technology" may have the advantage of being closer to the level of the developing countries, it is not necessarily suitable for the competitive structure in those countries and not necessarily a "suited technology" in view of their strategy of industrial development. Because these technologies have been developed in the special historical Indian environment under rigid protection to meet the needs of their strategic policy of replacing imports, some of them have had a history of 20 and 30 years. It is precisely as R. M. Hong-na-wa [phonetic], director of the Indian Institute for Finance and Management, said, that what India is now providing the developing countries is in fact a kind of "out-of-date technology." Adding all other causes, it is hardly possible to come up with a product that can hold its ground. Indian industrialists say that the developing countries have a kind of "penchant" for the technologies of the developed countries and tend to

have "reverence" for famous brand names. It seems that this is also one of the causes.

As regards capital, the ratio of liabilities to capital stock is too high. For instance, the industries operated in Malaysia at the same time by Indian multinational corporations, Indian overseas joint-venture enterprises and native companies are manufacturing automobiles, sugar, synthetic fiber, machinery, textiles and glass. A comparison shows that the ratio of liabilities to capital stock in Indian overseas joint-venture enterprises is far higher than in Indian multinational corporations, and in the Indian multinational corporations again higher than the standards permitted by the Bank of India, and the standards prescribed by the bank are in some sectors actually higher than the level in the native companies. It is for this reason that many enterprises run into straitened economic circumstances right from the beginning, so that 60 to 80 percent of the enterprises cannot make any profit at all.⁶

As to management, India is certainly not short of managerial talent, but many joint-venture enterprises do not even have an organizational institution comparable to a board of directors, and every little affair must be referred back to the home country for instructions. At the start when problems come up most frequently, again and again young men with few qualifications or little experience have been dispatched to handle them. Although these men had mastery of certain specialized technologies, they lacked experience and were not able to cope with complex situations. This caused much dissatisfaction in the host countries, and it is only natural that these joint ventures would finally prove abortive.

As to the examination and approval procedure, it was, generally speaking, handled with great strictness. However, frequently men were approved who had absolutely no qualifications. Some industrialists even went abroad to "try their luck," not for the sake of operating joint-venture enterprises, but merely for the purpose of reducing their tax burdens, and persons of this kind have also unexpectedly received approval. This is one of the main reasons why there have been so many abandonments in the early years of the 1970's.

Among all the above-mentioned causes, some are objective causes outside India's power to control, some are such that cannot be solved at the present time, but some can be overcome with some energetic efforts. Many Indian specialists, therefore, believe that one must not merely look at the present difficulties. In the case of certain joint enterprises, it seems there is a time limit, but as a pattern for the launching of economic cooperation, there is still a certain vitality in them. Whether the economy of one's own country or the foreign economy is concerned, the development of joint ventures is a policy that is well worth adhering to.

Indian experts are of the opinion that in operating overseas joint-venture enterprises one must also build on the basic points of one's own strength. In the case of India, the foundation would consist of such favorable conditions as its abundance of technical personnel of a fairly high quality, the

technical capabilities of its industrialists, especially in engineering technologies, where they are much better than those of certain developed countries, and the high degree of development of Indian finance, insurance and the construction industry. To overcome the present difficulties, they propose the following:

1. To Promote Joint Ventures in the Area of Consulting Services and Contracting for Engineering Projects. Among the present Indian joint-venture enterprises, apart from the large group of production enterprises (including processing, marketing, etc.), there are also some that engage in consulting services, contracting and other such work activities. At present, more and more developing countries are developing, with assistance from foreign countries or from international organizations, such basic enterprises as electric power plants, water conservancy works, and communication and transportation installations. Technologies in these fields are relatively stable, and India, too, is in these respects in a superior position. India should, therefore, take advantage of this opportunity and energetically push activities in contracting and consulting. Under the pioneering promotional efforts of such state-operated enterprises as the Bharat Heavy Electricals Ltd and the India Engineering Equipment Corp, there has been a speedy development of overseas contracting activities. In 1981 alone, contracts for construction and engineering projects worth 25 billion rupees were obtained, which raised the value of India's overseas contracting engagements to over 55 billion rupees. India has by now established many consulting companies, among them several famous state-operated companies and the private Dastur & Co, Ltd which have been approved by many international financial organizations as their consultants in matters of financial assistance.

At present, it is worthwhile to note that certain developing countries show a tendency to give their engineering contracts a more national character, some even lay down the policy for their management. This directly restricts the activities of the foreign contracting companies and their foreign staff. One way to evade these controls and restrictions is to set up joint-contracting ventures directly with the host country and have the Indian company launch its activities as a part of a native company. In this manner the risk will be small, the required capital also small, and it will not only lighten the burden of one's own country to provide foreign exchange, but will also expand the scope of activities and help increase revenue.

2. Setting up Trilateral and Multilateral Joint-Venture Enterprises. In the wake of economic and technological progress in the developing countries, the focal point in the development of certain countries is gradually shifting from labor-intensive to technology-intensive projects. Indian technology can no longer fully satisfy all requirements. Indian industrialists believe the important way to maintain and expand one's influence in the developing countries is to utilize the machinery, equipment and new technologies of third countries and set up trilateral or multilateral joint-venture enterprises.

3. Determining Developmental Strategy Regarding Overseas Joint Ventures. This strategy must comprise policy measures that have proven effective in the past, but must also solve the following two questions. First, to organize

small companies into big companies and multinational corporations, to replace those small companies which lack management experience and technological capabilities, and furthermore offer no financial guarantees. This is the only way which will enable quick responses to market changes and enable joint ventures to become independent combat entities. Second, one must make ~~best arrangements for the repurchase of products~~. According to the successful experiences of several famous multinational corporations, the important way of holding one's ground in the first years of opening up the market is to consciously arrange for the repurchase of products. In operating overseas joint ventures one must do the same. On the one hand, one must arrange the business orientation of the enterprise with an integration of the needs of one's own country, even send out raw materials from one's own country, and have shipped back whatever the joint-venture enterprise has processed and turned into the end product. On the other hand, when importing materials that are needed domestically, one should give preferential consideration to the joint-venture enterprises as suppliers of such materials.

4. Bureaucracy must be overcome and management must be strengthened. It must be clearly and definitely stated as a matter of policy that only those industrialists must be encouraged to go abroad who have done well domestically. Prior to approving an agreement, there must be strict screening and selecting, so that success will be ensured after the selected person is allowed to go abroad. In operating overseas joint ventures, the purpose is to make a profit, but the reputation of one's own country must also be preserved.

5. Foreign exchange support must be appropriately increased. When the country was just beginning to set up joint ventures, the government restricted investments in the form of foreign exchange funds in view of its shortage of foreign exchange, and maintained that the invested share should be in the form of domestically manufactured machinery and equipment; that was necessary. However, at every stage of actual implementation the industrialist has to spend foreign exchange funds. In future, it should be stipulated as a policy that in order to play their role as large corporations, the support for overseas joint venture enterprises must be strengthened. It would be best to establish a special fund as a foundation for larger proportions of the invested share to be in cash.

To sum up, in the wake of the developing international division of labor, international cooperation is also bound to gradually increase. With their bright prospects, joint-venture enterprises will promote the continuous progress of the economies and technologies of all countries.

FOOTNOTES

1. ECONOMIC TIMES (Bombay, India), 9 Jul 80.
2. FINANCIAL EXPRESS (India), 15 Jul 83, supplement.
3. ECONOMIC TIMES (Bombay, India), 4 Apr 83.

4. FINANCIAL EXPRESS (India), 15 Jul 83, supplement.

5. FINANCIAL EXPRESS (India), 23 Jul 83.

6. FINANCIAL TIMES (India), 15 Jul 83, supplement.

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HONG KONG ECONOMIC TRENDS

XINHUA NOTES HONG KONG STOCK MARKET ACTIVITY

HK180650 Beijing XINHUA Hong Kong Service in Chinese 1134 GMT 15 Feb 85

[Text] Hong Kong, 15 Feb (XINHUA)--Triggered by the good news that a Malaysian financial group is bidding a huge sum for Wheelock Marden, Hong Kong share prices soared. The Heng Seng Index rose by 51.54 points, blasting the 1,400 level on 15 February, and the market closed at 1405.93, a record high since June 1982.

Mr Khoo Tech Puat, a Malaysian businessman, has announced his plan to bid for Wheelock Marden with 1.9 billion Hong Kong dollars on 14 February. Wheelock Marden is one of the four foreign firms controlled by British capital in Hong Kong. It has a 60-year history. It is estimated that the Malaysia financial group will further expand its business in Hong Kong, with Wheelock Marden as its base after the purchase.

Public opinion here holds that this is good news and convincing evidence that the Southeast Asian financial groups have faith in Hong Kong's prospects.

Southeast Asian capital has been very active in Hong Kong in the past. However, with the exception of some individual financial groups which have taken root in Hong Kong, most of the capital was put into the monetary and stock markets or into real estate, and movement was brisk. As Hong Kong's situation has become clear, Southeast Asian capital has turned to make comparatively long-term investment and gradually set up bases in Hong Kong in the recent 4 to 5 months. According to those who are familiar with Southeast Asia, Southeast Asian businessmen have not restricted their investment in banking and real estate in Hong Kong, but have begun to extend their investments in commercial and industrial projects recently. It seems that the plan of the Malaysian financial group to bid for Wheelock Marden is a comparatively long-term arrangements.

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HONG KONG ECONOMIC TRENDS

BANK OF CHINA JOINS HONG KONG'S BANKING ADVISORY COMMITTEE

HK150317 Hong Kong SOUTH CHINA MORNING POST in English 15 Feb 85 pp 1, 28

[By Halima Guterres]

[Text] The Bank of China now has its own man on the influential Banking Advisory Committee [BAC]--a group made up of leading bankers, businessmen and top officials who advise the Governor on banking legislation and policy.

This is believed to be the first time since the committee was established in 1964 that a representative from China's state bank has sat on the committee.

He is the bank's general manager, Mr Zhang Zueyao.

The appointment took effect on 1 December as part of a change which also has some effect on the two note-issuing banks, the Hong Kong and Shanghai Bank and the Standard Chartered Bank.

Although the government has dismissed the suggestion, leading bankers believe there is a political dimension in the decision to bring the Bank of China into the high-powered committee.

The only announcement was made in a small item in the GOVERNMENT GAZETTE published a fortnight later.

But this did not mention the three banks by name.

Instead it stated only that three of the 12 unofficial members of the BAC would be either "the designated representative or a designated alternative representative of each of the three continuing members of the committee of the Hong Kong Association of Banks [HKAB]."

The three continuing members of the HKAB are in fact the Hong Kong and Shanghai Bank, the Standard Chartered Bank and the Bank of China.

But where traditionally the two not-issuing banks have always had their own men on the committee this is the first time the door has been opened to the Bank of China.

The only difference for the other two banks is that whereas previously their staff would be sitting on the BAC in their personal capacities now they are there officially to represent their bank.

The BAC, headed by the financial secretary, Sir John Bremridge, is specifically charged with the task of advising the governor on any matter connected with Hong Kong's banking laws or matters relating to banking and the carrying on of banking business.

Apart from Sir John, other official members include the Commissioner of Banking and the Secretary for Monetary Affairs.

Previously all unofficial members were appointed to the committee in their personal capacities and this is the first that representatives from designated banks have been added to the list of members.

The HKAB, on the other hand, is a statutory body set up in 1981 whose members are drawn from all the licensed banks in Hong Kong.

Three seats on the association's committee are set aside for the three continuing members and it was formed to further the interests of its members and the banking business in general.

It operates much like a trade union of bankers and its most familiar role to the public is the area of fixing interest rates.

Unlike the HKAB which meets at least once a week, the government-appointed advisory body meets only infrequently but when it does hold a meeting there are almost always issues of considerable importance on the agenda on which its advice has been sought.

Explaining the reason for the change, the deputy secretary for monetary affairs, Mr A. R. Latter, said that in the past four years the HKAB has established itself as the voice of the banking community.

Therefore, it was thought proper that its three continuing members should be represented on the BAC to ensure that the views of bankers are properly and formally reflected to the government.

Leading bankers have welcomed the move.

As one English banker said: "In a way it is a tidyingup process.

"The government now recognizes the important role the HKAB has been playing since it was established as a statutory body and it is giving the association a voice by appointing its three continuing members to the advisory committee.

"But clearly there is also a political [word indistinct] to it as well.

"The government is now recognizing the growing importance of the Bank of China and the communist bank group in Hong Kong."

Another banker, who is himself a member of the BAC said: "It was very clever of Sir John and it was a subtle and indirect way of admitting the Bank of China onto the committee."

As he sees it, the move is a sign of the times which points to the increasingly closer ties that the Hong Kong Government will be forging with China in the run-up to 1997.

"The Chinese should have a say in banking matters because they are so much a part of our scene," he said.

Mr Latter, however, scotched any suggestion of a political move.

He said the role of the Bank of China was recognised as far back as 1981 when the HKAB was established.

It was in recognition of its importance that the Bank of China was made one of the Association's three continuing members so that it would have a seat on the committee by right instead of being elected.

And the inclusion of representatives of the three continuing members into the BAC merely reflects the fact that the HKAB has come of age.

"In 1981 it was not clear how the association would develop.

"Since then, however, it has clearly emerged as the trade union of bankers and has become firmly established as the representative body of the banking community.

"Therefore when the terms of members for the BAC came up for renewal we thought it right to make sure that the HKAB had its representatives on the BAC," Mr Latter said.

CSO: 4020/128

HONG KONG ECONOMIC TRENDS

BRIEFS

PRC, U.S. TRADE FIGURES PROMINENTLY--The trade statistics released by the Statistics Department of the Hong Kong Government on 13 February shows that Hong Kong's total commodity export and import value last year was HK\$444.8 billion, a 32 percent increase over 1983. The statistics also show that the United States is still the biggest market for Hong Kong goods, and China has leaped to become the second largest market for Hong Kong goods. As for Hong Kong's import, goods from China ranked first in 1984 and increased by 30 percent over 1983. [Text] [Beijing Domestic Service in Mandarin 1200 GMT 14 Feb 85 OW]

CSO: 4006/413

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